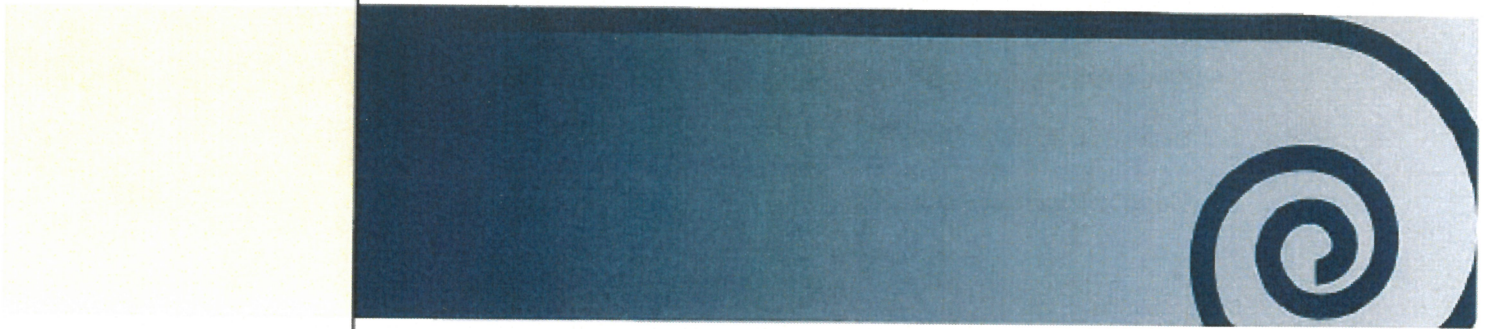


# **The Rancho Santa Fe Foundation**



## **Financial Statements**

For the Years Ended December 31, 2015

With Summarized Financial Information for 2014



Mayer  
Hoffman  
McCann P.C.  
An Independent CPA Firm

# The Rancho Santa Fe Foundation

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## **Independent Auditors' Report**

To the Audit Committee

**The Rancho Santa Fe Foundation**

Rancho Santa Fe, California

We have audited the accompanying financial statements of **The Rancho Santa Fe Foundation** ("the Foundation"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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 auditor's 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 Rancho Santa Fe Foundation** as of December 31, 2015, 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 Rancho Santa Fe Foundation's** 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2015. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mayer Hoffman McCann P.C.*

San Diego, California  
May 11, 2016



## The Rancho Santa Fe Foundation

### Statements of Financial Position

(Rounded to the nearest thousandth)

With Summarized Financial Information for 2014

December 31,

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Cash and cash equivalents	\$ 721,000	\$ 31,000	\$ 138,000	\$ 890,000	\$ 696,000
Investments	30,333,000	6,746,000	31,882,000	68,961,000	65,458,000
Assets held for other agencies	20,080,000	-	-	20,080,000	16,345,000
Assets held under unitrust agreement	374,000	-	38,000	412,000	-
Contributions receivable	-	202,000	4,049,000	4,251,000	5,369,000
Other assets	40,000	-	-	40,000	65,000
Total assets	<u>\$ 51,548,000</u>	<u>\$ 6,979,000</u>	<u>\$ 36,107,000</u>	<u>\$ 94,634,000</u>	<u>\$ 87,933,000</u>
<b>Liabilities and Net Assets</b>					
Liabilities:					
Grants payable and accrued expenses	\$ 34,000	\$ -	\$ -	\$ 34,000	\$ 17,000
Liability under unitrust agreement	374,000	-	-	374,000	-
Due to other agencies	20,080,000	-	-	20,080,000	16,345,000
Total liabilities	<u>20,488,000</u>	<u>-</u>	<u>-</u>	<u>20,488,000</u>	<u>16,362,000</u>
Net Assets:	31,060,000	6,979,000	36,107,000	74,146,000	71,571,000
Total Net Assets and Liabilities	<u>\$ 51,548,000</u>	<u>\$ 6,979,000</u>	<u>\$ 36,107,000</u>	<u>\$ 94,634,000</u>	<u>\$ 87,933,000</u>

The accompanying notes are an integral part of these financial statements.

## The Rancho Santa Fe Foundation

### Statements of Activities

(Rounded to the nearest thousandth)

*With Summarized Financial Information for 2014*

*Years ended December 31,*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue, gains, and other support:					
Gifts and bequests	\$ 2,948,000	\$ 3,878,000	\$ 2,138,000	\$ 8,964,000	\$ 10,748,000
Realized and unrealized gains (losses) on investments, net	(816,000)	(945,000)	-	(1,761,000)	1,695,000
Interfund transfers	(37,000)	(933,000)	970,000	-	-
Interest and dividend income	709,000	802,000	-	1,511,000	1,483,000
Change in value of split interest agreement	-	(53,000)	(235,000)	(288,000)	(95,000)
Management fee revenue	193,000	-	-	193,000	139,000
	<u>2,997,000</u>	<u>2,749,000</u>	<u>2,873,000</u>	<u>8,619,000</u>	<u>13,970,000</u>
Net assets released from restriction	2,221,000	(2,221,000)	-	-	-
Total revenue, gains, and other support	<u>5,218,000</u>	<u>528,000</u>	<u>2,873,000</u>	<u>8,619,000</u>	<u>13,970,000</u>
Expenses:					
Program grants	5,227,000	-	-	5,227,000	7,334,000
Operating and administrative expenses	817,000	-	-	817,000	781,000
Total expenses	<u>6,044,000</u>	<u>-</u>	<u>-</u>	<u>6,044,000</u>	<u>8,115,000</u>
Change in net assets	(826,000)	528,000	2,873,000	2,575,000	5,855,000
Net assets at beginning of year	<u>31,886,000</u>	<u>6,451,000</u>	<u>33,234,000</u>	<u>71,571,000</u>	<u>65,716,000</u>
Net assets at end of year	<u>\$ 31,060,000</u>	<u>\$ 6,979,000</u>	<u>\$ 36,107,000</u>	<u>\$ 74,146,000</u>	<u>\$ 71,571,000</u>

*The accompanying notes are an integral part of these financial statements.*

# The Rancho Santa Fe Foundation

## Statements of Cash Flows

(Rounded to the nearest thousandth)

Years ended December 31,

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 2,575,000	\$ 5,855,000
Adjustments and reclassifications to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized net (gain) loss on investments	1,761,000	(1,695,000)
Contribution of stock and securities	(1,363,000)	(2,078,000)
Contributions restricted for long-term purposes	(2,454,000)	(3,348,000)
Depreciation	15,000	12,000
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	1,118,000	575,000
Assets held under unitrust agreement	(412,000)	-
Other assets	10,000	6,000
Grants payable and accrued expenses	20,000	4,000
Liability under unitrust agreement	374,000	-
Assets held for other agencies	3,735,000	(57,000)
Net cash provided by (used in) operating activities	5,379,000	(726,000)
Cash flows from investing activities:		
Purchases of investments	(40,686,000)	(31,456,000)
Proceeds from sale of investments	33,051,000	28,834,000
Purchases of equipment	-	(29,000)
Net cash used in investing activities	(7,635,000)	(2,651,000)
Cash flows from financing activities:		
Investment in permanent endowment	2,454,000	3,348,000
Payments on capital lease obligation	(4,000)	(3,000)
Net cash provided by financing activities	2,450,000	3,345,000
Net increase (decrease) in cash and cash equivalents	194,000	(32,000)
Cash and cash equivalents at beginning of year	696,000	728,000
Cash and cash equivalents at end of year	\$ 890,000	\$ 696,000

### Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:

Interest on capital leases	\$ 1,000	\$ 1,000
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The accompanying notes are an integral part of these financial statements.

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (1) Organization and Significant Accounting Policies

#### (a) *Organization*

The Rancho Santa Fe Foundation ("the Foundation"), formerly the Rancho Santa Fe Community Foundation, is a public charity founded in 1981 created to improve community life through increased philanthropy. The Foundation administers charitable gifts, including permanent endowments, from which grants are made to not-for-profit organizations for community betterment.

#### (b) *Method of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (c) *Basis of Presentation*

In order to accommodate the various alternatives for donors' distribution objectives, the Foundation's records are maintained for internal purposes in accordance with the principles of fund accounting. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation follows authoritative guidance for financial statements for Not-for-Profit Organizations. This guidance requires that net assets, revenue, gains, expenses, and losses be classified as unrestricted, temporarily restricted and permanently restricted.

A summary of the net asset categories included in the accompanying financial statements is as follows:

**Unrestricted** – Unrestricted net assets include amounts that are available for support of the Foundation's operational and administrative functions, discretionary non-advised amounts that are available to support community activities and charitable endeavors at the discretion of the Foundation's Board of Directors, and discretionary donor-advised amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation's Board of Directors.

**Temporarily Restricted** – Temporarily restricted amounts represent contributed funds, subject to specific donor-imposed restrictions, contingent upon a specific performance of a future event or a specific passage of time before the Foundation may spend the funds. The balance includes contributions receivable, term endowments and deferred gifts in the form of trusts and annuities and unappropriated earnings on permanently restricted endowments.

**Permanently Restricted** – Permanently restricted net assets represent those assets contributed to the Foundation where the original dollar value is to remain in perpetuity as a permanent endowment of the Foundation.

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

**(d) Summarized Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset classification and are presented to provide a basis for comparison to financial information for 2015. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for 2014, from which the summarized information was derived.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with maturities, when acquired, of three months or less.

**(f) Contributions**

The Foundation records promises to give and receive cash and other assets by both donees and donors at fair value in the period in which the promise is made. Approximately \$3,314,000 in contributions receivable is supported by real estate. The Foundation periodically reviews the carrying value of this contribution receivable for impairment. The Foundation did not identify any events or changes in circumstances that would have an adverse effect on the carrying value of the receivable as of December 31, 2015.

**(g) Concentration of Credit Risk**

The Foundation invests its excess cash in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that maximize safety and liquidity within acceptable risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Foundation maintains a cash account at a bank in Rancho Santa Fe. The balance in the account at this institution may at times, exceed the amount secured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in this account. Management believes that the Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation invests in various investment securities, including U.S. government securities, corporate debt and equity securities. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

**(h) Concentration of Revenue**

During 2015, the Foundation received two significant contributions that combined approximated 59% of total gifts and bequests. One of these contributions was for the purpose of establishing a new unrestricted donor-advised fund and the other was an addition to an existing permanently restricted fund.

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

**(i) Investments**

Investments consist of marketable securities. Marketable securities consist of mutual funds which are carried at fair value. Fair value is determined by quoted market prices on the last business day of the year.

Investments acquired by gift are recorded at their fair market value at the date of the gift. The Foundation's policy is to liquidate all gifts of investment immediately upon receipt.

**(j) Assets Held Under Unitrust Agreement**

The Foundation received a new charitable remainder trust designating the Foundation as trustee and charitable remainder beneficiary. Under the terms of the trust agreement, the Foundation makes distributions to income beneficiaries for the life of the beneficiaries. Upon the death of the income beneficiaries, 50% of assets remaining in the trust will be distributed to a nonprofit beneficiary and the final 50% remaining interest will be transferred to the Foundation to an established permanent endowment. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation has been recorded in the statement of activities as a permanently restricted contribution of \$38,000 in the year ended December 31, 2015. Assets held in the charitable remainder trust totaled \$412,000 at December 31, 2015 are reported at fair market value based on current quoted market prices on the statement of financial position as Assets held under unitrust agreement. On an annual basis, the Foundation revalues the liability based on actuarial assumptions. The present value of the estimated future payments (\$374,000 at December 31, 2015) is calculated using a discount rate of 5% and recent life expectancy tables.

**(k) Split-Interest Gifts**

The Foundation is a beneficiary of certain trust funds held by others and has recorded an asset for the net present value of the estimated future amount to be received from such trusts included in contributions receivable at December 31, 2015. The charitable remainder trusts are irrevocable trusts established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives specified distributions during the agreement's term. Upon termination of the trusts, the Foundation will receive a portion of the assets remaining in the trusts. The present values are calculated by using recent life expectancy tables and a discount rate of 2.0% as of December 31, 2015.

**(l) Depreciation**

Fixed assets are depreciated using the straight-line method over the estimated useful lives of the related assets. Tenant improvements are depreciated over the lesser of the useful life of the related asset or the lease term. The Foundation capitalizes all assets with a useful life greater than one year and a cost greater than \$500.

**(m) Assets Held For Other Agencies**

The Foundation receives contributions on behalf of unaffiliated not-for-profit agencies, which are not reflected in the Foundation's statement of activities as they do not represent revenue to the Foundation. The total amounts of these managed assets are however reported as offsetting assets and liabilities on the Foundation's statement of financial position. At December 31, 2015, the total amount of these monies due to other agencies was \$20,080,000.



# The Rancho Santa Fe Foundation

## Notes to Financial Statements

**(n) Functional Allocation of Expenses**

The cost of providing programs and other activities for 2015 is summarized on a functional basis below:

Program:	
Grants	\$ 5,227,000
Other	157,000
Management and general	445,000
Fundraising	215,000
	<u>\$ 6,044,000</u>

**(o) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the estimated future cash flow of deferred gifts and unitrust liabilities.

**(p) Income Tax Status**

The Foundation is exempt from income taxes under the current provisions of Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. The Foundation had no unrelated business income tax for the year ended December 31, 2015.

At December 31, 2015, the federal statute of limitations remains open for 2012 through 2015 years. The statute of limitations for the state income tax returns remains open for the 2011 through 2015 years.

**(q) Earnings on Discretionary Funds**

Discretionary funds are maintained within the investment portfolio. Interest, dividends, and unrealized gains and losses in the investment pools are allocated monthly to the discretionary funds in proportion to each fund's share in the investment pools.

**(r) Fair Value Measurements**

The Foundation measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (r) Fair Value Measurements, cont'd

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The Foundation endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of the financial instruments in accordance with the guidance's pricing levels as of December 31, 2015. There were no Level 2 financial instruments.

	Total	Unadjusted Quoted Market Prices (Level 1)	Unobservable Inputs (Level 3)
Money market funds	\$ 181,000	\$ 181,000	\$ -
Mutual funds:			
Domestic equities	32,358,000	32,358,000	-
Fixed income	30,479,000	30,479,000	-
Money market	6,882,000	6,882,000	-
Foreign equities	19,509,000	19,509,000	-
Charitable remainder trusts	902,000	-	902,000
Liability under unitrust agreement	(374,000)	-	(374,000)
Totals	<u>\$ 89,937,000</u>	<u>\$ 89,409,000</u>	<u>\$ 528,000</u>

Changes in Level 3 financial instruments during 2015 were as follows:

	Charitable Remainder Trusts	Liability Under Unitrust Agreement
Financial instruments, beginning of year	\$ 1,190,000	\$ -
Change in value of existing split-interest agreements	(288,000)	-
Liability acquired under unitrust agreement	-	(420,000)
Total losses (realized and unrealized)	-	12,000
Distributions	-	34,000
Financial instruments, end of year	<u>\$ 902,000</u>	<u>\$ (374,000)</u>

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (r) Fair Value Measurements, cont'd

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Charitable remainder trusts	\$902,000	Present value of beneficial interests	Discount Rate Growth Rate Payout Rate Years remaining	2.0% 3.69% - 5.66% 6.00% 14.8 - 17.8
Liability under unitrust agreement	\$(374,000)	Present value of future distributions	Discount Rate Growth Rate Payout Rate Years remaining	5.0% 5.0% 8.9% 18.8

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

### (2) Investments

#### (a) Marketable Securities

Marketable securities consist of the following at December 31, 2015:

Mutual funds:

Domestic equities	\$ 32,358,000
Fixed income	30,479,000
Money market	6,882,000
Foreign equities	19,509,000
Total investments	89,228,000
Less investments held for other agencies	(19,855,000)
Less assets held under unitrust agreement	(412,000)
	<u>\$ 68,961,000</u>

#### (b) Summary of Return on Investment

The following schedule summarizes the loss on investment and its classification in the statement of activities for the year ended December 31, 2015:

Unrealized loss on marketable securities	\$ (3,765,000)
Interest and dividend income	1,511,000
Net realized gain on sales of marketable securities	2,004,000
Total loss on investment	<u>\$ (250,000)</u>

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (3) Contributions Receivable

Contributions receivable consist of the following at December 31, 2015:

Gifts and bequests receivable	\$ 3,349,000
Charitable remainder trusts	902,000
	<u>\$ 4,251,000</u>

### (4) Other Assets

Other assets consist of the following at December 31, 2015:

Fixed assets, net of accumulated depreciation of \$87,000	\$ 36,000
Prepaid expenses	4,000
	<u>\$ 40,000</u>

### (5) Assets Held For Other Agencies

The amount due to other agencies as of December 31, 2015 consists of the following:

Investments	\$ 19,855,000
Cash and cash equivalents	222,000
Gifts receivable	3,000
	<u>\$ 20,080,000</u>

### (6) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31, 2015:

Time restricted	\$ 2,278,000
Charitable remainder trusts	167,000
Purpose restricted	4,351,000
Term endowment	183,000
	<u>\$ 6,979,000</u>

### (7) Endowment Net Asset Classifications

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as permitting the expenditure or accumulation of as much of permanent endowment funds as the Foundation determines to be prudent for the uses, benefits, purposes and duration for which each endowment fund is established, even if this results in the occasional invasion of an endowment's historic gift value. Thus, at times, the value of donor-restricted assets may fall below the level that a donor requires the Foundation to maintain as permanently restricted net assets.

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (7) Endowment Net Asset Classifications, Cont'd

At December 31, 2015, five (5) such endowment funds were “underwater” by a total of \$90,000. This deficit resulted from unfavorable market fluctuations that occurred in the second half of 2015 after these funds were opened. As of the publication of these statements, thirteen (13) funds are “underwater” by a cumulative total of \$60,000.

The Foundation classifies as permanently restricted endowment net assets (a) the original value of gifts used to establish permanent endowments and (b) the original value of subsequent gifts to permanent endowments; collectively known as “historic gift value”. The remaining portions of donor-restricted endowment funds not classified as permanently restricted are classified as temporarily restricted net assets, available to be appropriated for expenditure by the Foundation.

The Foundation classifies as temporarily restricted endowment net assets those that have a stipulated time restriction. The Foundation manages one temporarily restricted endowment fund in this category. Distributions from this endowment are made annually to a specific charity until the earlier of 20 years (2027) or until the assets in the fund are depleted. Also classified as temporarily restricted endowment net assets herein are the portions of donor-restricted endowment funds not classified as permanently restricted (as defined above). These assets are classified as temporarily restricted only until the Foundation’s Board of Directors annually approves their reclassification to unrestricted so as to make them available to be appropriated for expenditure by the Foundation.

The Foundation classifies as unrestricted endowment net assets those that reside in endowment funds that have been established by and for the discretionary use of the Foundation.

The Foundation determines the appropriation of each endowment fund’s assets for expenditure based upon the Foundation's adopted spending policy.

- The Foundation’s basic endowment spending policy shall be to annually distribute up to the maximum allowable percentage as stated in the original Fund agreement (typically 5% plus administrative fees) from each endowed Fund. To determine the distributable amount for a given year, the specified percentage will be applied to the Fund’s average value calculated over a twelve quarter period beginning with the most recent December 31st quarter-end (or fewer quarters where a Fund has not been in existence for a full twelve quarters).
- Unless there is specific wording in the original fund agreement clearly stating that the distribution formula called for in the fund agreement shall apply irrespective of the historic gift value of the fund (i.e. the cumulative total of all gifts), then the payout from an endowment fund may be limited per the following criteria if a fund’s average value falls below the average historic gift value for the same twelve-quarter period:
  - Distributing amount(s) not to exceed the fund(s) earnings from the prior four quarters;
  - A temporary cessation of distributions from some or all fund(s) to protect the historic gift value or principal of the fund(s);

# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (7) Endowment Net Asset Classifications, Cont'd

- Reducing the distributable percentage from some or all fund(s) to something less than the permitted maximum(s) per the following table:

Average Fund Value as a Percent of Average Historic Gift Value	Spending Rate
90 – 99%	75% of normal spending rate
80 – 89%	50% of normal spending rate
70 – 79%	25% of normal spending rate
< 70%	Suspend distributions

Although UPMIFA no longer requires that permanent endowments (absent donor advice) be maintained at historic gift value, it is generally accepted that UPMIFA contemplates that “endowed funds will be interpreted to be of permanent duration, and that investments and spending practices should be structured in such a way as to preserve their purchasing power over time”. With this understanding, the primary goals of the Foundation’s investment policy are to ensure a total return necessary to preserve and enhance the principal of the funds and to provide a dependable source of revenue for current and future needs. To achieve these objectives, the Foundation’s portfolio will be administered with a moderate level of risk, accepting some volatility in principal while attempting to grow the portfolio over time. The investment policy directs the managers for a target allocation for the portfolio that approximates 50% to 70% invested in equity securities and the remainder of the portfolio in fixed income and other securities. At a minimum, an annual rebalancing will be administered to bring the portfolio back in line with the asset allocation model.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,203,000	\$ 36,107,000	\$ 38,310,000
Board designated endowment funds	580,000	-	-	580,000
Total endowment funds	<u>\$ 580,000</u>	<u>\$ 2,203,000</u>	<u>\$ 36,107,000</u>	<u>\$ 38,890,000</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 595,000	\$ 3,767,000	\$ 33,234,000	\$ 37,596,000
Gifts, bequests & transfers	10,000	-	2,873,000	2,883,000
Investment return:				
Net investment income	14,000	765,000	-	779,000
Net depreciation (realized and unrealized)	(16,000)	(847,000)	-	(863,000)
Total investment loss	(2,000)	(82,000)	-	(84,000)
Amounts appropriated for expenditure	(23,000)	(1,482,000)	-	(1,505,000)
Endowment net assets, end of year	<u>\$ 580,000</u>	<u>\$ 2,203,000</u>	<u>\$ 36,107,000</u>	<u>\$ 38,890,000</u>



# The Rancho Santa Fe Foundation

## Notes to Financial Statements

### (8) Real Estate

The Foundation holds title to a 22-acre parcel of undeveloped land in Rancho Santa Fe which is to be held by the Foundation in perpetuity as open space. The value of this parcel has not been included within the accompanying financial statements as the land has no recognizable value due to the nature of the restrictive circumstances under which it is held.

### (9) Charitable Real Estate Fund

The Rancho Santa Fe Foundation Charitable Real Estate Fund ("CREF") was established in February 2007 for the purpose of helping donors become impactful philanthropists through gifts of real estate. The CREF received its IRS Determination Letter in January 2008. There was no activity in the CREF in 2015.

### (10) Benefit Plan

Beginning in 2013, the Foundation sponsored a 401(k) savings plan for all eligible employees. Participants may contribute up to 86% of their eligible compensation. The Foundation matches 100% of the first 5% of the participant's eligible compensation. Total matching contributions were \$17,000 in 2015.

### (11) Operating Leases

During 2013, the Foundation signed a standard operating lease that expires in October 2018, which includes an increase of 4% per annum. During 2014, the Foundation signed an amendment to that lease for an adjacent office space under similar terms and with the same expiration date. The Foundation incurred rent expense of approximately \$58,000 in 2015. Future minimum rental payments under this operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Lease Amount</u>
2016	\$ 59,000
2017	61,000
2018	53,000
Total	<u>\$ 173,000</u>

### (12) Subsequent Events

The Foundation has evaluated subsequent events through May 11, 2016, which is the date the financial statements were issued.

