



COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS
AND COMPILED FINANCIAL STATEMENTS

BORREGO VALLEY ENDOWMENT FUND

March 31, 2019 and 2018

Table of Contents

	PAGE
Compilation Report of Independent Accountants	1
Financial Statements	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of cash flows	4
Statements of functional expenses	5
Notes to financial statements	6–11

Compilation Report of Independent Accountants

Board of Trustees
Borrego Valley Endowment Fund

Management is responsible for the accompanying financial statements of Borrego Valley Endowment Fund, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the accompanying financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As discussed in Note 2 to the financial statements, Borrego Valley Endowment Fund adopted Accounting Standards Update (ASU) No. 2014-16, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Moss Adams LLP

San Diego, California
August 14, 2019

Borrego Valley Endowment Fund
Statements of Financial Position

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 244,566	\$ 73,462
Investments	7,227,774	7,245,821
Total assets	\$ 7,472,340	\$ 7,319,283
NET ASSETS		
Without donor restrictions		
Undesignated	\$ 1,972,340	\$ 1,819,283
Designated by board for endowment	2,500,000	2,500,000
Net assets without donor restrictions	4,472,340	4,319,283
With donor restrictions – endowment	3,000,000	3,000,000
Total net assets	\$ 7,472,340	\$ 7,319,283

Borrego Valley Endowment Fund

Statements of Activities and Changes in Net Assets

	Year Ended March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	2019 Total
REVENUE AND SUPPORT			
Contributions	\$ 31,782	\$ -	\$ 31,782
Total investment gain	246,494	-	246,494
Total revenue and support	278,276	-	278,276
EXPENSES			
Program services	100,509	-	100,509
General and administrative	24,710	-	24,710
Total expenses	125,219	-	125,219
CHANGE IN NET ASSETS	153,057	-	153,057
NET ASSETS, beginning of year	4,319,283	3,000,000	7,319,283
NET ASSETS, end of year	\$ 4,472,340	\$ 3,000,000	\$ 7,472,340
	Year Ended March 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	2018 Total
REVENUE AND SUPPORT			
Contributions	\$ 141,658	\$ -	\$ 141,658
Total investment gain	457,560	-	457,560
Total revenue and support	599,218	-	599,218
EXPENSES			
Program services	251,475	-	251,475
General and administrative	28,373	-	28,373
Total expenses	279,848	-	279,848
CHANGE IN NET ASSETS	319,370	-	319,370
NET ASSETS, beginning of year	3,999,913	3,000,000	6,999,913
NET ASSETS, end of year	\$ 4,319,283	\$ 3,000,000	\$ 7,319,283

Borrego Valley Endowment Fund Statements of Cash Flows

	Years Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 153,057	\$ 319,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(101,656)	(305,104)
Net cash provided by operating activities	51,401	14,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(807,455)	(1,754,528)
Proceeds from the sale of investments	927,158	1,607,667
Net cash provided by (used in) investing activities	119,703	(146,861)
NET INCREASE (DECREASE) IN CASH	171,104	(132,595)
CASH AND CASH EQUIVALENTS		
Beginning of year	73,462	206,057
End of year	\$ 244,566	\$ 73,462

Borrego Valley Endowment Fund

Statements of Functional Expenses

	Year Ended March 31, 2019		
	Program Services	General and Administrative	2019 Total
Contributions	\$ 75,580	\$ -	\$ 75,580
Medical helicopter community support	13,928	-	13,928
Accounting services	-	14,905	14,905
Dues and subscriptions	-	3,300	3,300
Information technology	169	674	843
Directors and officers insurance	-	1,250	1,250
Office expense	68	280	348
Rent	-	4,200	4,200
Taxes, licenses, and permits	-	101	101
Marketing of helicopter service	2,262	-	2,262
Urgent care feasibility costs	3,502	-	3,502
Senior center feasibility study	5,000	-	5,000
Total functional expenses	\$ 100,509	\$ 24,710	\$ 125,219
	Year Ended March 31, 2018		
	Program Services	General and Administrative	2018 Total
Contributions	\$ 197,613	\$ -	\$ 197,613
Medical helicopter community support	47,416	-	47,416
Accounting services	-	16,930	16,930
Dues and subscriptions	600	2,700	3,300
Information technology	-	185	185
Directors and officers insurance	-	1,250	1,250
Office expense	297	629	926
Rent	840	3,360	4,200
Taxes, licenses, and permits	-	107	107
Marketing	1,459	-	1,459
Bank charges	-	240	240
Urgent care feasibility costs	3,250	-	3,250
Professional services	-	2,972	2,972
Total functional expenses	\$ 251,475	\$ 28,373	\$ 279,848

Borrego Valley Endowment Fund Notes to Financial Statements

Note 1 – Organization and Nature of Activities

The Borrego Valley Endowment Fund (“BVEF”), established in 1994, is a community foundation whose mission is to lead, inspire, and nurture the development of philanthropy that measurably benefits the community of Borrego Springs and the greater Anza-Borrego region. The BVEF is guided by the belief that creating maximum beneficial impact for the entire community means taking an active role in addressing the region’s largest challenges.

Note 2 – Significant Accounting Policies

Recently adopted accounting standards – For the year ended March 31, 2019, BVEF adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement for Not-for-Profit Entities*. This guidance revises the not-for-profit reporting model and requires expenses to be disclosed by both functional and natural classification, reduces the net asset classifications to two (with and without donor restrictions), and requires new disclosures on liquidity.

As of April 1, 2017, unrestricted net assets are presented as net assets without donor restrictions and permanently restricted net assets are presented as net assets with donor restrictions.

Accounting method – BVEF’s accounting records are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America, whereby all income is recognized when earned and expenses are recognized when incurred.

Financial statement presentation – Net assets of BVEF and changes therein are classified and reported as follows:

Without restrictions – Unconditional promises to give by donors without any use or time restrictions. Investment earnings are recorded as “without restrictions – undesignated” net assets.

Permanent restrictions – Unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. If the donor does not restrict the allowed use of the income, BVEF may determine the income’s availability to BVEF’s operations.

Endowment investment – BVEF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. BVEF’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to have an annual rate of return that will cover the future year’s expenditures on program services and administrative costs.

Borrego Valley Endowment Fund

Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

To satisfy its long-term rate-of-return objectives, BVEF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BVEF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Cash and cash equivalents – For purposes of the statement of cash flows, BVEF considers all highly liquid investments purchased with initial maturity of three months or less to be cash equivalents.

Investments – Investments are reported at fair value, determined by quoted market prices. The fair values of all equity and fixed income funds with a readily determinable fair value are based on quotations obtained from national securities exchanges. See Note 4.

Spending policy – The annual spending policy budget is equal to the spending policy rate set by the Board of Directors (currently 4%) times the average of the last three calendar year-end portfolio balances. This policy is designed to provide a “smoothing” effect to help minimize spending budget fluctuations due to changes in market conditions and the endowment portfolio balance.

At the Board of Trustees’ (the “Board’s”) discretion, board-approved distributions may be made on any basis as justified by grant submissions from qualified non-profit organizations. This policy is filed with the corporate records, which include Articles of Incorporation and amended bylaws.

Contributions – Contributions are recognized when the donor makes a promise to give to BVEF that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Functional expenses – Expenses by function have been allocated by program and supporting services classifications on the basis of internal records and estimates made by BVEF’s management.

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, liabilities, and disclosures as of year end and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status – BVEF is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Borrego Valley Endowment Fund Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. BVEF recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. BVEF financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

BVEF has evaluated subsequent events through August 14, 2019, which is the date the financial statements were available to be issued.

Note 3 – Concentration of Credit Risk

Cash and cash equivalents – Cash and cash equivalents are maintained in bank and investment accounts which at times exceed federally-insured deposit limits or are not federally insured. BVEF has not experienced any losses in such accounts.

Investments – Investments are exposed to various risk such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near-term could materially affect the amounts reported in the financial statements.

Note 4 – Fair Value Measurements

Fair value is defined 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. FASB Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes the three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Borrego Valley Endowment Fund

Notes to Financial Statements

Note 4 – Fair Value Measurements (continued)

In Note 2, the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position are described. There have been no changes to BVEF's valuation methodologies during the year ended March 31, 2019.

The fair value of BVEF's investments are determined using Level 1 inputs, and are reported at the fair value of the underlying assets in the funds.

Note 5 – Investments

Investments as of March 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Equity Funds		
Large cap blend	\$ 2,131,478	\$ 2,168,380
International equities	1,460,970	1,549,334
Large cap growth	571,212	513,135
Mid cap value	275,324	241,086
Mid cap blend	<u>243,312</u>	<u>267,515</u>
Total equity funds	<u>4,682,296</u>	<u>4,739,450</u>
Fixed Income		
Short-term domestic bonds	1,467,110	1,418,688
Intermediate-term domestic bonds	<u>1,078,368</u>	<u>1,087,683</u>
Total fixed income	<u>2,545,478</u>	<u>2,506,371</u>
	<u>\$ 7,227,774</u>	<u>\$ 7,245,821</u>

Note 6 – Investment Gains

Investment returns consist of the following for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Net realized gains on investments	\$ 59,455	\$ 163,938
Net unrealized gains on investments	42,201	141,166
Dividend and interest income	183,155	190,685
External investment expenses	<u>(38,317)</u>	<u>(38,229)</u>
Total investment gain (loss)	<u>\$ 246,494</u>	<u>\$ 457,560</u>

Borrego Valley Endowment Fund
Notes to Financial Statements

Note 7 – Availability and Liquidity of Financial Assets

The following represents BVEF's financial assets at March 31:

	2019	2018
Cash and cash equivalents	\$ 244,566	\$ 73,462
Investments – publicly traded	7,227,774	7,245,821
Total financial assets	7,472,340	7,319,283
Less amounts not available to use within one year:		
Board designated endowment	(2,500,000)	(2,500,000)
Donor restricted endowment	(3,000,000)	(3,000,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,972,340	\$ 1,819,283

Note 8 – Endowments

Endowment net asset composition as of March 31, 2019 and 2018, are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 2,500,000	\$ -	\$ 2,500,000
Donor restricted	-	3,000,000	3,000,000
Totals	\$ 2,500,000	\$ 3,000,000	\$ 5,500,000
2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 2,500,000	\$ -	\$ 2,500,000
Donor restricted	-	3,000,000	3,000,000
Totals	\$ 2,500,000	\$ 3,000,000	\$ 5,500,000

Borrego Valley Endowment Fund

Notes to Financial Statements

Note 9 – Endowments and Restricted Net Assets

Net assets with donor restrictions consist primarily of endowment fund investments to be held indefinitely, the income from which is expendable to support health related services in the Borrego Valley. The Board has determined that \$3,000,000 should be classified as net assets with donor restrictions to be held in perpetuity in accordance with state law.

Further, the Board designated \$2,500,000 of unrestricted net assets to be spent only with the Board's discretion and approval.