MEMORANDUM

DATE: May 14, 2019

TO: Pegi Ard
    Carrie Birkhofer
    David Heald
    Barbara Scherer
    Norm Schwartz
    Karen Semingson

FROM: Lee Duffus, Chair

GUESTS: Jill Stenton, Vavrinek, Trine, Day & Co., LLP

SUBJECT: Audit Committee Agenda

Monday, May 20, 2019
10:00 am to 11:00 am
Sesnon House, Room 1824

<table>
<thead>
<tr>
<th>Item</th>
<th>Responsibility Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Regular Open Session</strong></td>
<td></td>
</tr>
<tr>
<td>1. Welcome and Call to Order</td>
<td>L. Duffus</td>
</tr>
<tr>
<td>2. Approval of Agenda</td>
<td>L. Duffus</td>
</tr>
</tbody>
</table>

We reserve the right to change the order in which agenda items are discussed and/or acted upon at this meeting. Subject to further action, the agenda for this meeting is to be approved as presented. Items may be added to this agenda for discussion or action only as permitted by the Brown Act.

*Any open session writings distributed either as part of the agenda packet, or within 72 hours of a regular meeting, can be viewed at the Foundation office, 6500 Soquel Drive, Aptos, CA 95003.*
<table>
<thead>
<tr>
<th>Item</th>
<th>Responsibility</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Session Open (cont.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. October 1, 2018 meeting minutes</td>
<td>L. Duffus</td>
<td>4-7</td>
</tr>
<tr>
<td><strong>B. Public Comment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Public comment opportunity</td>
<td>L. Duffus</td>
<td></td>
</tr>
<tr>
<td><strong>C. Reports</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Executive Director Report</td>
<td>E. Hill</td>
<td>8-11</td>
</tr>
<tr>
<td>2. Review 2017-18 Audit</td>
<td>J. Stenton</td>
<td>Email Attachment</td>
</tr>
<tr>
<td>3. Discuss 2018-19 Audit</td>
<td>J. Stenton</td>
<td></td>
</tr>
<tr>
<td>4. Discuss upcoming accounting standard changes</td>
<td>J. Stenton</td>
<td></td>
</tr>
<tr>
<td>5. Discuss FAS 106 and GASB 75 Actuarials</td>
<td>J. Stenton</td>
<td>Email Attachment</td>
</tr>
<tr>
<td><strong>D. Action Item</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Determine Auditor Selection</td>
<td>L. Duffus</td>
<td>12</td>
</tr>
<tr>
<td><strong>E. Informational Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Review 2018-19 Audit Schedule</td>
<td>L. Duffus</td>
<td>13</td>
</tr>
<tr>
<td><strong>F. Adjournment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Adjournment</td>
<td>L. Duffus</td>
<td></td>
</tr>
</tbody>
</table>

**Upcoming Meetings:**

TBD
10:00 am – 11:00 am
Sesnon House, Room 1824
### Audit Committee Attendance Chart

<table>
<thead>
<tr>
<th>Audit Committee Members</th>
<th>5/25/16</th>
<th>10/12/16</th>
<th>6/29/17</th>
<th>10/19/17</th>
<th>6/1/18</th>
<th>10/1/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pegi Ard</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>A</td>
<td>P</td>
</tr>
<tr>
<td>Carrie Birkhofer</td>
<td>P</td>
<td>P</td>
<td>A</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Lee Duffus</td>
<td>A</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>David Heald</td>
<td>P</td>
<td>P</td>
<td>A</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Barbara Scherer</td>
<td>P</td>
<td>A</td>
<td>P</td>
<td>A</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Norm Schwartz</td>
<td>A</td>
<td>P</td>
<td>A</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Karen Semingson</td>
<td>A</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
</tbody>
</table>

A=Absent, P=Present, N=Not on Committees

Attendance is based on the Audit Committee meeting minutes.
Please call Nancy Machado at 479-5032 if you believe this chart is in error.
Cabrillo College Foundation
Audit Committee Meeting Minutes, distributed to Audit Committee October 2, 2018

Present: Pegi Ard, Carrie Birkhofer, Lee Duffus, David Heald, Norman Schwartz, Barbara Scherer and Karen Semingson

Absent: All committee members were present for the meeting

Staff: Eileen Hill and Nancy Machado

Guests: Terri Montgomery, Vavrinek, Trine, Day & Co.LLP.

Call to Order - L. Duffus called the meeting to order at 10:02a.m.

Approval of Agenda
Motion: MSC: P.Ard/N. Schwartz. The committee voted unanimously to approve the Audit Committee agenda.

Public Comment Opportunity
There were no members of the public in attendance.

Approve Audit Committee Minutes:

Cabrillo College Report:
Eileen shared President Matt Wetstein’s report with the Committee.

Eileen discussed the funding formula for community colleges which began in 18-19 and described the inequities in the funding formula for some community colleges and how this flawed formula is affecting Cabrillo and its students. She described the ways that Cabrillo will need to adapt, including basic skills reform, Guided Pathways implementation and operational improvements, all of which can increase Cabrillo’s degree completion and funding.

Executive Director Report:
Eileen described the new developments in the Ag Tech program at Cabrillo. Students now have the opportunity to earn an AA degree and will be able to transfer to CalPoly or UC Davis to further their education in Ag Tech or join the workforce.

Eileen reported that for the 2017-18 fiscal year, the Foundation exceeded its goal of raising $3M, raising $4,324,750. The direct disbursements to Cabrillo College and students was $2,359,898. As of September 25, 2018, the Foundation has raised $730,934 towards its goal of $3M for 2018-19.
Audit Committee Meeting
Minutes of October 1, 2018
Page 2 of 4

Review 2017-18 Audit Draft

Board Communication letter:
Ms. Montgomery reviewed the Board Communication Letter and expressed that there were no
difficulties encountered during the audit.

Independent Auditors Report:
The Independent Auditors report was reviewed. Ms. Montgomery indicated the June 30, 2018 statements
are presented fairly and expressed an unmodified opinion.

INDEPENDENT AUDITORS’ REPORT

The Board of Directors Cabrillo
College Foundation Aptos,
California

We have audited the accompanying financial statements of Cabrillo College Foundation (a nonprofit
organization), which comprise the statement of financial position as of June 30, 2018, and the related
statements of activities, functional expenses, and cash flows for the year then ended, and the related notes
to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in
accordance with accounting principles generally accepted in the United States of America; this includes
the design, implementation, and maintenance of internal control relevant to the preparation and fair
presentation of financial statements that are free from material misstatement, whether due to fraud or
error.

Auditor’s 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 Cabrillo College Foundation as of June 30, 2018 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 Cabrillo College Foundation’s 2017 financial statements, and our report dated November 15, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vavrinek, Trine, Day & Co., LLP
Pleasanton, California
______________2018

Audit Committee discussion and acceptance
Terri Montgomery informed that audit draft does not include an updated Retiree Medical Benefit liability. Due to a change to reporting requirements under GASB 74/75, an updated actuarial was required this year. Our actuarial provider, Geoff Kischuck of Totcomp who provides actuarial services to many of the California Community College Districts, has been greatly impacted by this change. In the past, these actuarial reports are done every three years and well in advance of the annual audit draft review. At the next Audit Committee meeting, the results of the GASB and FASB reports received this year will be reviewed and if the difference is not material, it will be decided whether it is necessary to continue to have both actuarial reports done.

Terri indicated that the amount of the Retiree Medical Benefit liability is expected to change but not by enough to be material and change her opinion from unmodified to modified.

The Statement of Financial Position for 2017-18 reflects net assets of $33M compared to $32M for 2016-17.

The Statement of Activities for 2017-18 notes a change in net assets of $3M due to increased total support and revenues and is $1M more than the change in net assets reported in 16-17.

The Statement of Functional Expenses for 2017-18 shows expenses $200K under prior year due to a decrease in college support during the year.
Audit Committee Meeting
Minutes of October 1, 2018
Page 4 of 4

The following is a list of minor corrections noted at the meeting:

- Page 3 – Liabilities section:
  Change first line from Accounts payable, scholarships and college support payable to Scholarships, Payables and Accrued Compensation

- Page 5 – In 2017 Total Expenses column:
  Add $7,987 in training expenses and the total will change to $3,353,894. That will match the $3,353,894 reported for 2017 on the total program and supporting services line on page 4.

- Page 13 – Note # 7:
  Change title to Scholarships, Payables and Accrued Compensation

- Page 15 – First paragraph, last line should read:
  $20,610,859 at June 30, 2017, and $22,906,504 at June 30, 2018, allocated as follows:

Motion: MSC. C. Birkhofer/N. Schwartz: to accept 2017-18 Audit Draft with minor corrections as long as Retiree Medical Benefit actuarial revisions are not material according to Terri Montgomery’s opinion.

Committee Calendar & Roster
No meeting date has been set for June 2019. Nancy Machado will send a doodle poll by the end of January 2019.

Adjournment
Meeting adjourned at 11:00 a.m.

Respectfully submitted,

[Signature]

Nancy Machado
Accounting & Human Resources Manager

Next Meeting: To be scheduled
Executive Director Report: May 2019

Administration

• Nominating: recruiting new Board members
• 2019-20 Operating Budget and Form 990
• Scholarship Administration
• Professional Development: Planned Giving seminar and Association of Fundraising Professionals Conference

Fundraising

• 2018-19 fundraising goal is $3M and $3,173,962 has been raised and $1,405,000 has been added in unbooked planned gifts
• President’s Circle reached goal with $380K raised
• Women’s Educational Success: $75,000 has been allocated this year in emergency grants for students, kicking off 2019 campaign
• Dental Hygiene Side by Side project: $25,000 received, $25,000 pending
• Ag Tech Summit and Ag Tech Grand Opening events
• Legacy Giving: gift annuity and MOCIs
• Annual appeal letters for Stroke Center, Cabrillo Stage, Scholarships and Cabrillo Advancement Program

Upcoming Events

• President’s Circle Winemaker’s Dinner ($2,500+ donors):
  May 16, 6:00 – 9:00 pm, Sesnon House
• American Dream Scholarship Ceremony (30th anniversary):
  May 21, 4:00 – 5:00 pm, Samper Recital Hall
• President’s Circle Party at Rancho Soquel ($1,500+ donors):
  May 29, 5:30 pm, Rancho Soquel
MEMORANDUM

Date: May 7, 2019  
To: Board of Directors  
From: Eileen Hill  
Subject: 2018-19 Fundraising Targets

The Board approved a $3M fundraising goal in outright and unbooked planned gifts. The following is an outline of the specific fundraising targets for the year to reach $3M. The $3M goal includes a target of $760,000 in endowed gifts and $500,000 in unbooked planned gifts. Focusing some effort on legacy giving will help ensure the long-term health & sustainability of the Foundation.

<table>
<thead>
<tr>
<th>Amount Raised 7/1/18 - 5/2/19</th>
<th>2018-19 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL APPEALS</strong></td>
<td></td>
</tr>
<tr>
<td>$380,697</td>
<td>$380,000</td>
</tr>
<tr>
<td>$74,171</td>
<td>$50,000</td>
</tr>
<tr>
<td>$189,077</td>
<td>$170,000</td>
</tr>
<tr>
<td>$402,093</td>
<td>$100,000</td>
</tr>
<tr>
<td>$480,433</td>
<td>$500,000</td>
</tr>
<tr>
<td>$816,804</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>SPECIAL INITIATIVES</strong></td>
<td></td>
</tr>
<tr>
<td>$36,398</td>
<td>$50,000</td>
</tr>
<tr>
<td>$41,765</td>
<td>$50,000</td>
</tr>
<tr>
<td>$122,719</td>
<td>$400,000</td>
</tr>
<tr>
<td>$1,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>$493,805</td>
<td>$390,000</td>
</tr>
<tr>
<td>$135,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>$1,405,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>$4,578,962</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>

TOTAL
DATE: May 7, 2019

TO: Board of Directors Committee

FROM: Eileen Hill

July 1, 2018 to May 2, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19 Outright Gifts Fundraising Total</td>
<td>$3,173,962</td>
</tr>
<tr>
<td>2018-19 Unbooked Revocable Planned Gifts</td>
<td>$1,405,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,578,962</strong></td>
</tr>
</tbody>
</table>

2018-19 Fundraising Goal for Outright and Unbooked Revocable Planned Gifts | $3,000,000

Recorded Gifts 07-01-18 to 05-02-19:

- **The Richard & Mary Sofari Charitable Trust (Scholarship & President’s Circle)** | $355,000
- **Anonymous (Cabrillo Advancement Program)** | $350,000
- **Anonymous (Scholarship)** | $315,000
- **SD Trombetta Foundation (ECE, Peace Library & Scholarships)** | $200,000
- **Anne Mitchell Estate (Scholarship)** | $170,506
- **Lee Garner (Scholarship)** | $150,000
- **Anonymous (Stadium Turf & Emergency Mini-grants)** | $134,000
- **Brian & Patti Herman (WES & Scholarship)** | $67,250
- **Joan Griffths (Griffiths ACE, Griffiths Nursing, Stroke Center, WES, Griffiths S4C, & President’s Circle)** | $59,729
- **Kathryn Shephard (Scholarship)** | $43,300
- **The Peggy & Jack Baskin Foundation (WES & Girls in Engineering)** | $35,000
- **Community Initiatives (ACE)** | $26,696
- **ADEAGies Foundation (Dental Hygiene)** | $25,000
- **William & Lupe Burgstrom (Cabrillo Advancement Program)** | $25,000
- **Community Foundation Santa Cruz County (Makerspace Internships)** | $20,000
- **Vertical Raise Trust Account (Baseball)** | $19,640
- **Peter Weber (Scholarship)** | $17,500
- **Kerr Corporation (Dental Hygiene)** | $17,300
- **Rachel Wedeen (President’s Circle, WES & Scholarship)** | $16,900
- **John & Betty Ann Altman (Scholarship)** | $16,704
- **Patty Quillin & Reed Hastings (President’s Circle & WES)** | $16,000
- **Rick & Ruth Moe (President’s Circle, Student Research & WES)** | $15,600
- **Claire Wietherspoon and Jim Engelman (Scholarship & Cabrillo Stage)** | $15,354
- **Esther & Jerry Levandoski (President’s Circle & CAP)** | $14,214
- **Bill & Joan Rentz (Scholarship, Music & Chorus)** | $12,250
- **Foundation for California Community Colleges (Scholarship)** | $12,100
- **Kevin & Barbara Monahan (Scholarship)** | $12,079
- **Claire Biancalana & William Kelsay (President’s Circle, Stroke Center, Stadium Turf, WES & Scholarship)** | $11,460
- **Bill & Brigid Simpkins (Water Polo, Stroke Center & CAP)** | $11,000
- **Thomas Sourisseau (President’s Circle & Stroke Center)** | $10,100
- **Gifts under $10,100 (2,255 of 2,285 total donors)** | $979,280

**Total Secured Gifts** | **$3,173,962**

**Total Unbooked Revocable Planned Gifts** | **$1,405,000**

**TOTAL** | **$4,578,962**

**Notes:**
1. For 2018-19, the Cabrillo College Foundation has been notified of two planned gifts and an increase to the amount of another.
2. The cumulative unbooked revocable planned gifts total is $2,250,000.
Disbursements to Cabrillo College and Students
July 1, 2018 to March 31, 2019
Total: $1,565,923

Faculty/Department Support
(Cabrillo Stage, Stroke Center, Allied Health, Athletics) 25% $389,767

Student Support Services
(Foster Youth, Internships, CAP, Tutoring) 16% $244,492

Scholarships 59% $931,664

TOTAL $1,565,923
MEMORANDUM

DATE: May 20, 2019

TO: Audit Committee

FROM: Eileen Hill

SUBJECT: Auditor Selection

Background
From 2005 to 2016, the Foundation was required to use the same auditor as the College which was Vavrinek Trine, Day & Co., LLP. After an RFP was sent in 2016, the Cabrillo College Foundation Audit Committee selected Vavrinek, Trine, Day & Co., LLP for the 2016-17, 2017-18 and the 2018-19 audit. The Audit Committee decides if the Cabrillo College Foundation should go out for an RFP for the 2019-20 audit or continue with Vavrinek, Trine, Day & Co., LLP.

Vavrinek, Trine, Day & Co., LLP annual audit costs
The following details the audit costs for the 2016-2019 audits:

- 2016-17 $12,000
- 2017-18 $12,350
- 2018-19 $12,700

Federal Form 990 and California Form 199 Tax Filings
The costs for preparing and filing the annual Federal form 990 and California form 199 filings have been between $500 and $550 per year.

Auditor Selection
Vavrinek, Trine, Day & Co., LLP will provide a quote for the 2019-20 Cabrillo College Foundation audit. An option is for the audit committee to decide if the Cabrillo College Foundation sends an RFP for audit services beginning with the 2019-20 audit.
MEMORANDUM

DATE: May 13, 2019

TO: Audit Committee

FROM: Nancy Machado

SUBJECT: 2018-19 Cabrillo College Foundation Audit Schedule

The following is a projection for the 18-19 Cabrillo College Foundation audit process:

May 20, 2019
Auditor meets at Cabrillo College Foundation with Audit Committee to review how the audit will be conducted. Representative(s) of Audit firm will attend meeting.

Week of August 19, 2019
Cabrillo College Foundation on-site audit.

September 9, 2019
Foundation receives proposed audit adjustments for review by Nancy Machado, Lynn Brisson, CPA and Pegi Ard, Foundation CFO.

September 16, 2019
Foundation receives audit draft for review by Nancy Machado, Eileen Hill, Lynn Brisson, CPA and Pegi Ard, Foundation CFO.

October 18, 2019
Audit Committee meets to review/accept audit draft. Representative(s) of Audit firm will attend meeting.

To be considered
Executive Committee receives e-mail audit draft for review prior to Executive Committee meeting.

October 24, 2019
Executive Committee receives recommended audit draft for review and acceptance.

October 25, 2019
Cabrillo College Foundation staff e-mails Audit Committee members a red-line draft Audit so they are made aware of any changes made to the Audit Report after the Executive Committee meeting.

November 12, 2019
Cabrillo College Foundation Board of Directors meet to accept audit. Representative(s) of audit firm will attend meeting.