



To the Audit Committee and Board of Directors
Cabrillo College Foundation

We have audited the financial statements of Cabrillo College Foundation for the year ended June 30, 2019, and have issued our report thereon dated November 14, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cabrillo College Foundation are described in Note 1 to the financial statements. Other than the updated reporting standards, no new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's allocation of expenses to functional classifications and the estimates of net pension obligations based on actuarial information. We evaluated the key factors and assumptions used to develop the allocation formulas in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

FINANCIAL STATEMENTS
JUNE 30, 2019
WITH
INDEPENDENT AUDITORS' REPORT

**CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2019

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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, 2019, 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.

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 Cabrillo College Foundation as of June 30, 2019, 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.

Other Matters and Report on Summarized Comparative Information

The financial statements of Cabrillo College Foundation as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day, & Co, LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated November 19, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly, LLP
San Ramon, California
November 14, 2019

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 4,548,785	\$ 4,742,741
Contributions receivable, net of allowance (Note 2)	1,646,337	165,254
Accounts receivable	42,711	78,539
Split interest agreements (Note 3)	134,920	655,032
Prepays and other assets	32,133	24,607
Investments (Note 5)	31,377,451	29,047,861
Deferred outflows related to pension plans (Note 10)	101,094	113,683
Equipment, net of accumulated depreciation (Note 6)	4,036	5,247
Total Assets	<u>\$ 37,887,467</u>	<u>\$ 34,832,964</u>
LIABILITIES		
Scholarships, payables and accrued compensation (Note 7)	\$ 2,019,316	\$ 1,452,538
Net pension liability (Note 10)	446,969	406,031
Deferred inflows related to pension plans (Note 10)	18,324	13,198
Other post employment benefits (Note 11)	120,755	117,453
Total Liabilities	<u>2,605,364</u>	<u>1,989,220</u>
NET ASSETS		
Without donor restrictions (Note 9)	905,128	717,395
With donor restrictions (Note 9)	34,376,975	32,126,349
Total Net Assets	<u>35,282,103</u>	<u>32,843,744</u>
Total Liabilities and Net Assets	<u>\$ 37,887,467</u>	<u>\$ 34,832,964</u>

See the accompanying notes to financial statements.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenues				
Contributions, net of uncollectible amounts	\$ 449,485	\$ 4,553,694	\$ 5,003,179	\$ 4,194,811
Investment income, net of investment expenses	79,640	234,891	314,531	1,523,756
Endowment management fee	446,027	-	446,027	428,592
In-kind contributions	23,556	41,733	65,289	67,414
Other income	128,462	-	128,462	194,620
Net assets released from restrictions	2,579,692	(2,579,692)	-	-
Total Support and Revenues	<u>3,706,862</u>	<u>2,250,626</u>	<u>5,957,488</u>	<u>6,409,193</u>
Expenses				
Program services				
Scholarships and awards	1,324,541	-	1,324,541	1,002,140
College support	1,611,550	-	1,611,550	1,439,893
Supporting Services				
Management and general	335,953	-	335,953	338,155
Fundraising	247,085	-	247,085	348,122
Total program and supporting services	<u>3,519,129</u>	<u>-</u>	<u>3,519,129</u>	<u>3,128,310</u>
CHANGE IN NET ASSETS	187,733	2,250,626	2,438,359	3,280,883
NET ASSETS, BEGINNING OF YEAR	717,395	32,126,349	32,843,744	29,562,861
NET ASSETS, END OF YEAR	<u>\$ 905,128</u>	<u>\$ 34,376,975</u>	<u>\$ 35,282,103</u>	<u>\$ 32,843,744</u>

See the accompanying notes to financial statements.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Scholarships and Awards	College Support	Management and General	Fundraising	2019 Total Expenses	2018 Total Expenses
Direct Program Support						
Scholarships and awards	\$ 1,141,784	\$ -	\$ -	\$ -	\$ 1,141,784	\$ 832,247
College support	-	1,387,073	-	-	1,387,073	1,222,142
Supporting Services						
Salaries	99,473	99,063	150,704	106,899	456,139	472,836
Employee benefits	54,877	54,651	83,047	58,974	251,549	242,684
Payroll taxes	7,942	7,910	12,029	8,535	36,416	38,976
Insurance	-	-	6,889	-	6,889	8,208
Printing	3,697	3,697	5,545	5,546	18,485	18,676
Consultants	-	-	41,316	1,050	42,366	53,180
Office supplies	2,331	2,331	2,329	2,331	9,322	8,394
Office equipment	1,571	2,226	3,532	1,576	8,905	6,293
Software and maintenance	5,306	5,306	5,303	5,306	21,221	20,248
Postage and delivery	1,368	1,368	1,369	5,018	9,123	12,372
Uncollectible pledges	-	-	-	-	-	25,435
Bank charges	-	-	5,655	-	5,655	7,152
Depreciation	303	303	302	303	1,211	807
Miscellaneous	-	-	8,974	-	8,974	13,014
Training	-	-	3,070	4,604	7,674	10,970
In kind supplies/materials	-	41,733	-	-	41,733	43,858
Occupancy	5,889	5,889	5,889	5,889	23,556	23,556
Public relations	-	-	-	41,054	41,054	67,262
Total Expenses	\$ 1,324,541	\$ 1,611,550	\$ 335,953	\$ 247,085	\$ 3,519,129	\$ 3,128,310

See the accompanying notes to financial statements.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	2019	2018
Change in net assets	\$ 2,438,359	\$ 3,280,883
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	1,211	807
Note receivable write off	-	10,925
Change in valuation of split-interest agreements	520,112	(517,413)
Change in operating assets and liabilities		
Contributions receivable	(1,481,083)	245,418
Accounts receivable	35,828	(15,325)
Prepays and other assets	(7,526)	7,306
Scholarships, payables and accrued compensation	566,778	(180,042)
Net pension obligation	58,653	54,657
Other post employment benefits	3,302	(8,346)
Net Cash Provided by Operating Activities	2,135,634	2,878,870
 CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments	(2,329,590)	(2,865,194)
Purchases of capital assets	-	(6,054)
Net Cash Used by Investing Activities	(2,329,590)	(2,871,248)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(193,956)	7,622
CASH AND CASH EQUIVALENTS, Beginning of Year	4,742,741	4,735,119
 CASH AND CASH EQUIVALENTS, End of Year	\$ 4,548,785	\$ 4,742,741
 SUPPLEMENTAL DISCLOSURE ON NONCASH ACTIVITIES		
In kind donations	\$ 65,289	\$ 67,414

See the accompanying notes to financial statements.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE #1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cabrillo College Foundation (the “Foundation”) was incorporated in the State of California in 1965, as a nonprofit public benefit corporation. The Foundation was organized to operate for the advancement of education, to provide financial support to students and various programs of Cabrillo Community College District (the District), and to provide a link between the District and the community.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU modified the current guidance over several criteria of which the following affected the Center’s financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions”, as opposed to the previous requirement of three classes of net assets.
- Disclosure of qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date.
- Presentation of expenses by both their natural classification and their functional classification.
- Presentation of the indirect method reconciliation of operating cash flows on the consolidated statements of cash flows is no longer required when the direct method of reporting is used.
- Disclosure of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions.
- Presenting investment return net of external and direct internal investment expenses.

The Organization has implemented the provisions of this ASU as of June 30, 2019.

Support and Expenses

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as unrestricted.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

CABRILLO COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Equipment

Equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight line method based on the assets' estimated useful lives ranging from three to five years. Depreciation expense for the years ended June 30, 2019, and 2018 was \$1,211 and \$807, respectively.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Office space was provided by the Cabrillo Community College District on behalf of the Foundation. Donated supplies and materials include items donated to the Foundation for the use of the Foundation or the District. In kind donations for the years ended June 30, 2019, and 2018 are as follows:

	2019	2018
Rent - allocated to programs and supporting services	\$ 23,556	\$ 23,556
Supplies and materials - management and general	-	1,137
Supplies and materials - restricted for program use	41,733	42,721
	<u>\$ 65,289</u>	<u>\$ 67,414</u>

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation strives to maintain cash balances in financial institutions which are insured up to \$250,000. At June 30, 2019, no amounts were in excess of Federal depository insurance coverage.

**CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Uncollectible Pledges

The Foundation computes the estimated allowance for uncollectible pledges based on a historical analysis of uncollectible pledges. Historically, there are no significant uncollectible amounts for restricted pledges, therefore, an allowance for uncollected pledges has not been recorded. For pledges resulting from the Annual Fund Calling Campaign, there is an allowance for uncollectible pledges as of June 2019 of \$6,998, or 35% of annual fund pledges outstanding.

Income Taxes

The Foundation is a nonprofit corporation exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). Income tax returns for 2015 and forward may be audited by regulatory agencies however, the Organization is not aware of any such actions at this time.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of the income tax expense, if applicable.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Comparative Totals

The financial statements include certain prior year summarized information in total but not by functional expense categories. Such information does not constitute sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

CABRILLO COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE #2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give, which have been made by donors, but not received. Contributions receivable at June 30, 2019 and 2018 were as follows:

	2019	2018
Receivable in one year or less	\$ 497,586	\$ 140,880
Receivable in two to five years	1,155,749	35,869
Subtotal	<u>1,653,335</u>	<u>176,749</u>
Less allowance for uncollectible receivables	(6,998)	(11,495)
Net contributions receivable	<u>\$ 1,646,337</u>	<u>\$ 165,254</u>

For the year-ended June 30, 2019, two sources provided approximately 98% of total net contributions receivable. Conditional promises to give are recognized only when the conditions are substantially met. Conditional promises that are not recorded as of June 30, 2019 consist of amounts for which the Foundation has been notified of being named a beneficiary of various estates with an expected value of approximately \$25,250,000.

NOTE #3 – SPLIT INTEREST AGREEMENTS

The Foundation is a beneficiary of a charitable lead trust, a charitable remainder trust, and several charitable gift annuities. The charitable lead trust provides annual payments to the Foundation until the trust terminates. The charitable gift annuities are assets contributed by the donors. The split interest agreements are reported at fair value. The split interest agreements are revalued on an annual basis, and the change in the net present value is recorded as a gain or loss in the statement of activities. At June 30, 2019 and 2018, the beneficial interest was valued as follows:

	2019	2018
Split interest agreements		
Charitable lead trust	\$ 63,657	\$ 74,704
Charitable gift annuities	47,817	39,566
Charitable remainder trust	23,446	540,762
Total	<u>\$ 134,920</u>	<u>\$ 655,032</u>

NOTE #4 – RELATED PARTY TRANSACTIONS

Foundation board members donated \$55,520 to the Foundation during the fiscal year ended June 30, 2019.

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE #5- INVESTMENTS

Investments are stated at fair market value and consist of the following:

	<u>2019</u>	<u>2018</u>
Investments	\$ 31,377,451	\$ 29,047,861
Investments - cash equivalents	4,137,355	4,583,500
Total Investments	<u>35,514,806</u>	<u>33,631,361</u>
Cash	411,430	159,241
Total cash, cash equivalents, and investments	<u>\$ 35,926,236</u>	<u>\$ 33,790,602</u>

	<u>2019</u>	<u>2018</u>
Funds invested in common stock	\$ 4,105,764	\$ 4,334,805
Funds invested in preferred stocks	90,184	87,722
Funds invested in fixed income securities	2,819,419	2,104,565
Funds invested in U.S. Government Securities	3,002,897	3,044,934
Funds invested in closed end funds, structured products and action rights	12,501,577	11,116,819
Funds invested in managed certificates of deposits and money markets	2,336,901	2,446,231
Funds invested in mutual funds	10,658,064	10,496,285
Total	<u>\$ 35,514,806</u>	<u>\$ 33,631,361</u>

Investment activity for the years ended June 30, 2019 and June 30, 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Realized gains on investments	\$ 2,724,401	\$ 2,031,528
Unrealized gains (losses) on investments	(2,769,738)	(648,536)
Interest and dividends	950,335	672,103
Gain (loss) on split interest agreements	(3,489)	(1,776)
Total investment income (loss)	<u>901,509</u>	<u>2,053,319</u>
Investment expenses - investment fees	(140,951)	(100,971)
Investments expenses - management fees	(446,027)	(428,592)
Total investment income (loss), net of expenses	<u>\$ 314,531</u>	<u>\$ 1,523,756</u>

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that future changes in risks could materially affect account balances and the amounts reported in the accompanying financial statements.

CABRILLO COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Investment Policies

Return Objectives and Risk Parameters

The Foundation 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. In order to meet its needs, the investment strategy of the Cabrillo College Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested to meet or exceed the index, or blended market index that most closely corresponds to the style of investment management selected and agreed upon by the Finance Committee. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Endowment's spending policy has a target total return of 7.0%. The target distribution rate of 4.0% will be calculated over a trailing 12 quarter period. *The Spending Policy is 7.0% = 4.0% distribution rate + 1.5% inflation factor + 1.5% management fee.* In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Endowment Fund Corpus

The Cabrillo College Foundation has 405 endowment funds with corpus totaling \$25,625,557.

NOTE #6 – EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 49,099	\$ -	\$ (12,796)	\$ 36,303
Accumulated depreciation	(43,852)	(1,211)	12,796	(32,267)
	<u>\$ 5,247</u>	<u>\$ (1,211)</u>	<u>\$ -</u>	<u>\$ 4,036</u>

CABRILLO COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE #7 – SCHOLARSHIPS, PAYABLES AND ACCRUED COMPENSATION

Scholarships, payables and accrued compensation represent unconditional promises made by the Foundation and are due as follows:

	Scholarships	College Support & Accounts payable	Accrued compensation	Total 2019	Total 2018
Payable in one year or less	\$ 878,247	\$ 398,448	\$ 59,407	\$ 1,336,102	\$ 930,408
Payable in two to five years	384,390	-	-	384,390	297,631
Payable in more than five years	298,824	-	-	298,824	224,499
Total payable	<u>\$ 1,561,461</u>	<u>\$ 398,448</u>	<u>\$ 59,407</u>	<u>\$ 2,019,316</u>	<u>\$ 1,452,538</u>

NOTE #8 – MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels, as defined by SFAS No. 157, to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

CABRILLO COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

ASSETS	Level 1	Level 2	Level 3	Total
Funds invested in				
Common stock	\$ 4,105,764	\$ -	\$ -	\$ 4,105,764
Preferred stocks	90,184	-	-	90,184
Corporate bonds and notes	2,819,419	-	-	2,819,419
U.S. Government Securities	3,002,897	-	-	3,002,897
Closed end funds and structured products	12,501,577	-	-	12,501,577
Managed certificates of deposits and money markets	2,336,901	-	-	2,336,901
Mutual funds	10,658,064	-	-	10,658,064
Total	<u>\$ 35,514,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,514,806</u>

NOTE #9 – NET ASSETS

At June 30, 2019 and 2018, net assets without donor restrictions consisted of the following:

	2019	2018
Designated		
President's Circle board designated	\$ 304,302	\$ 304,302
Computers	15,000	15,000
Retiree medical benefits	60,705	54,078
Operating reserve	344,015	290,617
Undesignated		
Undesignated	181,106	53,398
Total	<u>\$ 905,128</u>	<u>\$ 717,395</u>

Net assets with donor restrictions consist of the following scholarship and college support non-endowed and endowed funds:

	2019	2018
With Donor Restrictions		
Endowed scholarship and college support funds available	\$ 1,578,098	\$ 1,746,673
Endowed accumulated earnings	3,899,389	4,599,109
Subtotal	<u>5,477,487</u>	<u>6,345,782</u>
Non-endowed scholarship and college support funds available	<u>3,273,931</u>	<u>2,874,063</u>
Subtotal	8,751,418	9,219,845
Endowment corpus	25,625,557	22,906,504
Total net assets with donor restrictions	<u>\$ 34,376,975</u>	<u>\$ 32,126,349</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Endowment net assets, for which investment and interest earnings may be used for scholarships and college support and consist of the historical gift balance of the endowed funds in the amount of \$25,625,557 at June 30, 2019, and \$22,906,504 at June 30, 2018, allocated as follows:

Endowment Funds	Endowment Earnings	Endowment Corpus	Total Endowments
Beginning of year	\$ 6,345,782	\$ 22,906,504	\$ 29,252,286
Contributions	9,516	2,719,053	2,728,569
Scholarships and college support	(1,103,354)	-	(1,103,354)
Investment earnings (loss)	821,113	-	821,113
Investment and management fees	(586,978)	-	(586,978)
Other increases/decreases	(8,592)	-	(8,592)
End of year	<u>\$ 5,477,487</u>	<u>\$ 25,625,557</u>	<u>\$ 31,103,044</u>

NOTE #10 – RETIREMENT PLANS

CalPERS

Plan Description

The Foundation offers eligible employees retirement benefits with CalPERS. Employees become eligible starting the first day of employment if one of the following criteria is met:

- Employee’s position is full-time seasonal or limited term and is more than 6 months,
- Employee’s part-time position exceeds 1,000 hours in one fiscal year,
- Employee is a member of CalPERS by previous employment (either has funds on deposit or service credit)

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The Cabrillo College Foundation pays the required employer contribution. CalPERS eligible employees contribute their required contribution. The retirement calculation for Cabrillo College Foundation employees is as follows

- 1) Full-time and part-time eligible employees (classic members as defined by CalPERS) hired prior to October 1, 2011 have a retirement calculation of 2% at 55.
- 2) Full-time and part-time eligible employees (PEPRA members as defined by CalPERS) hired on or after January 1, 2013 will have a retirement calculation of 2% at 62. PEPRA is Public Employees’ Pension Reform Act.

CABRILLO COLLEGE FOUNDATION
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- 3) The rates are based upon an actuarially determined rate and the actuarial methods and assumptions used for determining those rates are those adopted by the CalPERS Board of Administration.

Plan Valuation

GASB Statement No. 67, Financial Reporting for Pensions Plans, established new financial reporting requirements for most state and local government plans that provide employee pension benefits. GASB Statement No. 67 required governmental retirement plans that provide defined benefit pensions to value and report the amount of pension liabilities and unfunded obligations for each member in the plan effective June 30, 2014. ASC-718-80-35-2 requires employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability when reasonably estimatable.

The Plan is a Multiple Employer Plan where the net pension liability is allocated to the plan based on a valuation date of June 30, 2017. Its proportion of the CalPERS Miscellaneous Risk Pool is summarized as follows:

	Measurement Date <u>6/30/2018</u>
Plan's Proportion of the Net Pension Liability	0.01186%
Plan's Proportionate Share of the Net Pension Liability	\$ 446,969
Plan's Covered-Employee Payroll	\$ 368,057
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	121.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.7%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 30,779
Plan's Proportionate Share of Deferred Outflows	\$ 70,315
Plan's Proportionate Share of Deferred Inflows	\$ 18,324

Actuarial Assumptions and Sensitivity to Changes in the Discount Rate

The actuarial assumptions include: a discount rate of 7.15% and is based on the entry age normal methodology.

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent), or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>6/30/2018</u>
Schedule of Plan Contributions	
Actuarially Determined Contribution	\$ 30,779
Contributions in Relation to the Actuarially Determined Contribution	(30,779)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	\$ 368,057
Contributions as a Percentage of Covered Employee Payroll	8.36%

**CABRILLO COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Annual Pension Cost

The Foundation made contributions to CalPERS for fiscal year ending June 30, 2019 in the amount of \$30,779.

Section 403(b) Employee Wage and Salary Reduction Plan

The Foundation provides a payroll deduction plan under Internal Revenue Code section 403(b). Full-time and part-time eligible employees may elect to participate. Each participating employee declares an amount of pre-tax compensation to be withheld by the Foundation, who in turn deposits the withholdings into a personal tax-deferred annuity. No employer contributions are required.

Section 457 Employee Wage and Salary Reduction Plan

The Foundation also provides a payroll deduction plan under Internal Revenue Code section 457 to the Executive Director. The Executive Director may elect to participate and declares an amount of pre-tax compensation to be withheld from the Executive Director's paycheck. The withholdings are deposited into a personal tax-deferred annuity. No employer contributions are required.

NOTE #11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Foundation has a defined benefit post employment health care benefits plan that provides health care benefits to Administrators and their spouses hired on or before August 19, 2009, who retire from the Foundation upon obtaining a certain age and years of service. Currently, there are no active employees that meet these eligibility requirements. One retiree is receiving employee only post employment health care benefits.

As a non-governmental organization, the Cabrillo College Foundation would normally follow the guidance of the Financial Accounting Standards Board (FASB), rather than the Governmental Accounting Standards Board (GASB). As the Foundation is a component unit of a governmental agency, the Foundation has elected to follow GASB 75 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions in accounting for post employment benefits to be consistent with the Cabrillo Community College District method of accounting, and as the results are not expected to be significantly different.

Approximately 50% of the GASB 75 Total OPEB Obligation amount as of June 30, 2019 has been set aside, however, for it to be legally considered "funded" it would need to be in an irrevocable trust. At the Executive Committee meeting on August 25, 2011 the Executive Committee approved a motion to annually set aside an amount equal to the annual increase in the liability until such time as the designated amount reaches 100% of the liability.

Annual OPEB Cost and Net OPEB Obligation

The Foundation's annual other post employment benefit (OPEB) cost (expense) is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement 75. The Net OPEB Obligation represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial accrued liabilities. Based on an actuarial study performed as of June 30, 2018 and updated every two years, the Foundation's Net OPEB Obligation was \$117,453.

**CABRILLO COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The plan is not funded by an irrevocable trust and, therefore, no table of changes in funding progress is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation as of June 30, 2018, the entry age actuarial cost method was used. The actuarial assumptions included a 3.8 percent investment rate of return (net of administrative expenses). Healthcare cost trend rates were estimated at 4 percent, and payroll increase at 2.75% per year.

NOTE #12 – SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 14, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Cabrillo College Foundation
Aptos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cabrillo College Foundation "The Organization" (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cabrillo College Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cabrillo College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cabrillo College Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

San Ramon, California
November 14, 2019

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Summarized below are corrected and uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Contributions receivable – estimated time value of money discount \$23,115

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Audit Committee, Board of Directors, and management of Cabrillo College Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



November 14, 2019
San Ramon California