



November 10, 2021

To the Audit Committee and Board of Directors  
Cabrillo College Foundation  
Aptos, California

We have audited the financial statements of Cabrillo College Foundation as of and for the year ended June 30, 2021, and have issued our report thereon dated November 10, 2021. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated July 2, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Cabrillo College Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Cabrillo College Foundation is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2021, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's allocation of expenses to the functional classification and the estimates of net pension obligations based on actuarial information.

Management's estimate of the functional classification of expenses is based on time and effort spent on each function. The estimates of net pension obligations are based on the actuarial information. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such items.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Cabrillo College Foundation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated November 10, 2021.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Cabrillo College Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Cabrillo College Foundation's auditors.

This report is intended solely for the information and use of the audit committee and 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.



San Ramon, California



Financial Statements  
June 30, 2021

# Cabrillo College Foundation

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## Independent Auditor's 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, 2021, 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, 2021, 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 June 30, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 10, 2021

**Cabrillo College Foundation**  
 Statement of Financial Position  
 June 30, 2021  
 (with comparative totals for June 30, 2020)

	2021	2020
<b>Assets</b>		
Cash and cash equivalents (Note 5)	\$ 8,561,507	\$ 9,025,973
Contributions receivable, net of allowance (Note 2)	966,995	1,211,325
Accounts receivable	1,095	42,413
Split interest agreements (Note 3)	99,954	117,828
Prepays and other assets	14,313	23,047
Investments (Note 5)	37,873,991	26,607,494
Deferred outflows related to pension and OPEB plans (Notes 11 & 12)	112,176	125,497
Equipment, net of accumulated depreciation (Note 6)	1,614	2,825
Total Assets	\$ 47,631,645	\$ 37,156,402
<b>Liabilities</b>		
Scholarships, payables and accrued compensation (Note 8)	\$ 2,049,660	\$ 2,179,733
Net pension liability (Note 11)	515,027	476,536
Deferred inflows related to pension plans (Note 11)	3,673	18,951
Other post employment benefits (Note 12)	160,009	158,975
Refundable Advance - PPP Loan (Note 1)	-	102,569
Total Liabilities	2,728,369	2,936,764
<b>Net Assets</b>		
Without donor restrictions (Note 10)	1,411,411	1,061,224
With donor restrictions (Note 10)	43,491,865	33,158,414
Total Net Assets	44,903,276	34,219,638
Total Liabilities and Net Assets	\$ 47,631,645	\$ 37,156,402



**Cabrillo College Foundation**  
 Statement of Activities  
 For the Year Ended June 30, 2021  
 (with comparative totals for June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Support and Revenues</b>				
Contributions, net of uncollectible amounts	\$ 607,125	\$ 5,420,658	\$ 6,027,783	\$ 2,802,715
Investment income, management fees, net of investment expenses	17,571	6,855,705	6,873,276	(695,575)
Endowment management fee	529,602	-	529,602	458,481
In-kind contributions	23,712	22,970	46,682	34,476
Other income	123,309	-	123,309	102,243
Net assets released from restrictions	1,965,882	(1,965,882)	-	-
<b>Total Support and Revenues</b>	<b>3,267,201</b>	<b>10,333,451</b>	<b>13,600,652</b>	<b>2,702,340</b>
<b>Expenses</b>				
Program services				
Scholarships and awards	1,351,136	-	1,351,136	1,915,542
College support	1,006,682	-	1,006,682	1,303,605
Supporting Services				
Management and general	395,418	-	395,418	323,403
Fundraising	163,778	-	163,778	222,255
<b>Total program and supporting services</b>	<b>2,917,014</b>	<b>-</b>	<b>2,917,014</b>	<b>3,764,805</b>
<b>Change in Net Assets</b>	<b>350,187</b>	<b>10,333,451</b>	<b>10,683,638</b>	<b>(1,062,465)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,061,224</b>	<b>33,158,414</b>	<b>34,219,638</b>	<b>35,282,103</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,411,411</b>	<b>\$ 43,491,865</b>	<b>\$ 44,903,276</b>	<b>\$ 34,219,638</b>

Cabrillo College Foundation  
Statement of Functional Expenses  
For the Year Ended June 30, 2021  
(with comparative totals for June 30, 2020)

	Scholarships and Awards	College Support	Management and General	Fundraising	2021 Total Expenses	2020 Total Expenses
Direct Program Support						
Scholarships and awards	\$ 1,218,973	\$ -	\$ -	\$ -	\$ 1,218,973	\$ 1,718,189
College support	-	712,319	-	-	712,319	1,119,144
Supporting Services						
Salaries	74,875	166,016	192,381	78,973	512,245	470,530
Employee benefits	33,529	74,328	115,668	35,364	258,888	252,856
Payroll taxes	5,991	13,281	15,387	6,319	40,978	36,511
Insurance	976	976	4,291	976	7,219	6,964
Printing	2,474	2,474	3,712	3,711	12,371	13,643
Consultants	-	-	26,455	1,050	27,505	31,577
Office supplies	497	497	3,821	497	5,312	6,938
Office equipment	576	576	576	576	2,304	2,663
Software and maintenance	5,915	5,915	6,496	5,915	24,241	23,056
Postage and delivery	1,099	1,099	1,099	4,030	7,327	7,090
Bank charges	-	-	7,897	-	7,897	7,151
Depreciation	303	303	302	303	1,211	1,211
Miscellaneous	-	-	10,759	-	10,759	9,653
Training	-	-	646	969	1,615	2,987
In kind supplies/materials	-	22,970	-	-	22,970	-
Occupancy	5,928	5,928	5,928	5,928	23,712	23,712
Public relations	-	-	-	19,168	19,168	30,930
	<u>\$ 1,351,136</u>	<u>\$ 1,006,682</u>	<u>\$ 395,418</u>	<u>\$ 163,778</u>	<u>\$ 2,917,014</u>	<u>\$ 3,764,805</u>

**Cabrillo College Foundation**  
 Statement of Cash Flows  
 For the Year Ended June 30, 2021  
 (with comparative totals for June 30, 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 10,683,638	\$ (1,062,465)
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	1,211	1,211
Donated securities	184,762	-
Change in valuation of split-interest agreements	17,874	7,092
Change in operating assets and liabilities		
Contributions receivable	244,330	445,012
Accounts receivable	41,318	298
Prepays and other assets	8,734	9,086
Scholarships, payables and accrued compensation	(130,073)	160,417
Net pension obligation	36,534	5,791
Other post employment benefits	1,034	38,220
Net Cash Provided (Used) by Operating Activities	11,089,362	(395,338)
Cash Flows from Investing Activities		
Purchases of investments	(11,636,021)	(609,725)
Proceeds from sale of investments	184,762	2,113,145
Net Cash Provided (Used) by Investing Activities	(11,451,259)	1,503,420
Cash Flows from Financing Activities		
Proceeds from refundable advance (PPP loan)	(102,569)	102,569
Net Increase (Decrease) in Cash and Cash Equivalents	(464,466)	1,210,651
Cash and Cash Equivalents, Beginning of Year	9,025,973	7,815,322
Cash and Cash Equivalents, End of Year	\$ 8,561,507	\$ 9,025,973
		\$ -
Supplemental Disclosure on Noncash Activities		
In kind donations	\$ 46,682	\$ 34,476

**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.

**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 support without donor restrictions 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 without donor restrictions.

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.

**Paycheck Protection Program (PPP) Loan**

The Foundation was granted a \$102,569 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, Not-for-Profit – Revenue Recognition. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The PPP Loan has been forgiven and the Foundation has recognized \$102,569 as contribution revenue for the year ended June 30, 2021.

**Investments**

Investments purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Equipment**

Equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed on the straight-line method based on the assets' estimated useful lives ranging from three to five years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation expense for the years ended June 30, 2021, and 2020 was \$1,211.

**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 because they do not meet the recognition criteria prescribed by generally accepted accounting principles. 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, 2021, and 2020 are as follows:

	2021	2020
Rent - allocated to programs and supporting services	\$ 23,712	\$ 23,712
Supplies and materials - restricted for program use	22,970	10,764
	\$ 46,682	\$ 34,476

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

**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, 2021, approximately \$220,000 was in excess of Federal depository insurance coverage.

**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 2017 and forward may be audited by regulatory agencies however, the Organization is not aware of any such actions at this time.

The Foundation 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.

**Functional Allocation of Expenses**

The costs of providing programs and supporting services activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation a reasonable basis that is consistently applied. These expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance and other, which are allocated on the basis of estimates of time and effort. The financial statements report categories of expenses that are attributable to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

**Reclassification**

Certain reclassifications of amounts between investments and cash-equivalents previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Comparative Totals**

The accompanying financial statements include certain prior year summarized information in total but not by net assets class. Such information does not constitute sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**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, 2021 and 2020 were as follows:

	2021	2020
Receivable in one year or less	\$ 586,995	\$ 440,713
Receivable in two to five years	380,000	771,891
Subtotal	966,995	1,212,604
Less allowance for uncollectible receivables	-	(1,279)
Net contributions receivable	\$ 966,995	\$ 1,211,325

For the year-ended June 30, 2021, one source provided approximately 72% 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, 2021 consist of amounts for which the Foundation has been notified of being named a beneficiary of various estates with an expected value of approximately \$26,305,000.

**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, 2021 and 2020, the beneficial interest was valued as follows:

	2021	2020
Split interest agreements		
Charitable lead trust	\$ 43,180	\$ 62,802
Charitable gift annuities	48,472	45,026
Charitable remainder trust	-	10,000
Other split interest agreements	8,302	-
Total	\$ 99,954	\$ 117,828

**Note 4 - Related Party Transactions**

Foundation board members donated \$2,697,828 to the Foundation during the fiscal year ended June 30, 2021.

**Note 5 - Investments**

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

	2021	2020
Investments	\$ 37,873,991	\$ 26,607,494
Investments - cash equivalents	8,129,430	8,812,299
Total Investments	46,003,421	35,419,793
Cash	432,077	213,674
Total cash, cash equivalents, and investments	\$ 46,435,498	\$ 35,633,467

	2021	2020
Funds invested in common stock	\$ 5,994,866	\$ 4,479,792
Funds invested in preferred stocks	49,878	40,444
Funds invested in fixed income securities	3,284,154	2,103,847
Funds invested in U.S. Government Securities	3,647,699	2,491,034
Funds invested in closed end funds, structured products and action rights	18,442,704	13,319,383
Funds invested in managed certificates of deposits and money markets	143,480	175,989
Funds invested in mutual funds	6,311,210	3,997,005
Total	\$ 37,873,991	\$ 26,607,494

Investment activity for the years ended June 30, 2021 and June 30, 2020, consisted of the following:

	2021	2020
Realized gains (losses) on investments	\$ 946,331	\$ (1,476,655)
Unrealized gains (losses) on investments	5,924,664	515,913
Interest and dividends	675,089	862,557
Gain (loss) on split interest agreements	-	(7,092)
Total investment income (loss)	7,546,084	(105,277)
Investment expenses - investment fees	(143,206)	(131,817)
Investment expense - management fees	(529,602)	(458,481)
Total investment income (loss), net of expenses	\$ 6,873,276	\$ (695,575)



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.

### **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 for endowment funds with a current market value that is greater than or equal to 80% of the historical gift balance. 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 442 endowment funds with corpus totaling \$30,268,173.

**Note 6 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	2021	2020
Operating cash	\$ 432,077	\$ 213,674
Contribution receivable due in one year	586,995	440,713
Accounts receivable due in one year	1,095	42,413
Operating investments and cash equivalents	2,511,556	2,261,379
Distributions from assets held under split-interest agreements	99,954	117,828
	\$ 3,631,677	\$ 3,076,007

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for special purposes, with the exception of the amounts available for general use. Income from donor-restricted endowment funds is not available for general expenditures.

The Foundation has a board-designated amount that is described in Note 10. Although the Foundation does not intend to spend from this board-designated amount (other than amounts appropriated for general expenditure as a part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve.

**Note 7 - Equipment**

Property and equipment at June 30, 2021, consisted of the following:

	Beginning of Year	Additions	Deletions	End of Year
Equipment	36,303	\$ -	\$ -	\$ 36,303
Accumulated depreciation	\$ (33,478)	(1,211)	-	(34,689)
	\$ 2,825	\$ (1,211)	\$ -	\$ 1,614

**Note 8 - 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 2021	Total 2020
Payable in one year or less	\$ 985,161	\$ 402,056	68,731	\$ 1,455,948	\$ 1,487,519
Payable in two to five years	373,658	-	-	373,658	379,659
Payable in more than five years	220,054	-	-	220,054	312,555
<b>Total payable</b>	<b>\$ 1,578,873</b>	<b>\$ 402,056</b>	<b>\$ 68,731</b>	<b>\$ 2,049,660</b>	<b>\$ 2,179,733</b>

**Note 9 - 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.

**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, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Assets				
Funds invested in				
Common stock	\$ 5,994,866	\$ -	\$ -	\$ 5,994,866
Preferred stocks	49,878	-	-	49,878
Corporate bonds and notes	-	3,284,154	-	3,284,154
U.S. Government Securities	-	3,647,699	-	3,647,699
Closed end funds and structured products	18,442,704	-	-	18,442,704
Managed certificates of deposits and money markets	143,480	-	-	143,480
Mutual funds	6,311,210	-	-	6,311,210
<b>Total</b>	<b>\$ 30,942,138</b>	<b>\$ 6,931,853</b>	<b>\$ -</b>	<b>\$ 37,873,991</b>

**Note 10 - Net Assets**

At June 30, 2021 and 2020, net assets without donor restrictions consisted of the following:

	2021	2020
Designated		
President's Circle board designated	\$ 304,302	\$ 304,302
Computers	15,000	15,000
Retiree medical benefits	75,003	67,727
Operating reserve	541,766	509,995
Undesignated		
Undesignated	475,340	164,200
<b>Total</b>	<b>\$ 1,411,411</b>	<b>\$ 1,061,224</b>

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

	<u>2021</u>	<u>2020</u>
With Donor Restrictions		
Endowed scholarship and college support funds available	\$ 2,066,079	\$ 1,714,429
Endowed accumulated earnings	<u>7,731,959</u>	<u>2,051,215</u>
Subtotal	9,798,038	3,765,644
Non-endowed scholarship and college support funds available	<u>3,425,654</u>	<u>2,853,571</u>
Subtotal	13,223,692	6,619,215
Endowment corpus	<u>30,268,173</u>	<u>26,539,199</u>
Total net assets with donor restrictions	<u>\$ 43,491,865</u>	<u>\$ 33,158,414</u>

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 \$30,268,173 at June 30, 2021, and \$26,539,199 at June 30, 2020, allocated as follows:

	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total Endowments</u>
Endowment Funds			
Beginning of year	\$ 3,765,644	\$ 26,539,199	\$ 30,304,843
Contributions	1,129	3,728,474	3,729,603
Scholarships and college support	(807,644)	-	(807,644)
Investment earnings (loss)	7,520,128	-	7,520,128
Investment and management fees	(668,468)	-	(668,468)
Other increases/decreases	<u>(12,751)</u>	<u>500</u>	<u>(12,251)</u>
End of year	<u>9,798,038</u>	<u>\$ 30,268,173</u>	<u>\$ 40,066,211</u>

## Note 11 - 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.
- 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, 2019. Its proportion of the CalPERS Miscellaneous Risk Pool is summarized as follows:

	Measurement Date June 30, 2020	Measurement Date June 30, 2019
Plan's Proportion of the Net Pension Liability	0.01221%	0.01186%
Plan's Proportionate Share of the Net Pension Liability	\$ 515,027	\$ 476,536
Plan's Covered-Employee Payroll	\$ 387,312	\$ 373,630
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	132.97%	127.54%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.7%	77.7%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 40,124	\$ 34,190
Plan's Proportionate Share of Deferred Outflows	\$ 41,841	\$ 55,821
Plan's Proportionate Share of Deferred Inflows	\$ 3,673	\$ 18,951

**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:

	6.15% Discount Rate	7.15% Current	8.15% Discount Rate
Plan's Net Pension Liability	\$ 822,456	\$ 515,027	\$ 261,008

**Annual Pension Cost**

The Foundation made contributions to CalPERS for fiscal year ending June 30, 2021 in the amount of \$40,124.

	June 30, 2020	June 30, 2019
Schedule of Plan Contributions		
Actuarially Determined Contribution	\$ 40,124	\$ 34,190
Contributions in Relation to the Actuarially Determined Contribution	(40,124)	(34,190)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 387,312	\$ 373,630
Contributions as a Percentage of Covered Payroll	10.36%	9.15%

**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 12 - 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 47% of the GASB 75 Total OPEB Obligation amount as of June 30, 2021 has been set aside, however, for it to be legally considered “funded” it would need to be in an irrevocable trust. At the Finance Committee meeting on October 10, 2019, the Finance Committee approved a motion to annually set aside an amount equal to the annual increase in the liability after the operational reserve is fulfilled and until such time as the designated amount reaches 100% of the liability.

### **Annual OPEB Cost and Net OPEB Obligation**

The Foundation’s other post-employment benefit (OPEB) cost (expense) is calculated based on an actuarially determined amount in accordance with 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, 2021 and updated every two years, the Foundation’s had a Net OPEB Obligation of \$160,009 and deferred outflows of \$30,211.

### **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, 2021, the entry age actuarial cost method was used. The actuarial assumptions included a 2.169 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 13 - Subsequent Events**

The Foundation’s management has evaluated subsequent events through November 10, 2021, which is the date the financial statements were available to be issued.





**Independent Auditor’s 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**

The 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2021.

**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) as a basis for designing 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 financial statements. 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California  
November 10, 2021