



Financial Statements  
June 30, 2022

# Cabrillo College Foundation

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Financial Statements

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## Independent Auditor's Report

To the Board of Directors  
Cabrillo College Foundation  
Aptos, California

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Cabrillo College Foundation, which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Cabrillo College Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cabrillo College Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022, the Organization has adopted Accounting Standards No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities (Topic 958) for Contributed Nonfinancial Assets*, on a retrospective basis. Our opinion is not modified with respect to this matter.

### ***Correction of Error***

As discussed in Note 13 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to that matter.

### ***Report on Summarized Comparative Information***

We have previously audited the 2021 financial statements of Cabrillo College Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the exception of the correction of error identified in the preceding paragraph, with the audited financial statements from which it has been derived.

### ***Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cabrillo College Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Cabrillo College Foundation’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cabrillo College Foundation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

*Eide Sallee LLP*

San Ramon, California  
February 15, 2023

**Cabrillo College Foundation**  
 Statement of Financial Position  
 June 30, 2022  
 (with comparative totals for June 30, 2021)

|  | <u>2022</u>          | <u>(Restated)<br/>2021</u> |
|--|----------------------|----------------------------|
| <b>Assets</b>  |                      |                            |
| Cash and cash equivalents                                | \$ 5,988,329         | \$ 8,561,507               |
| Contributions receivable, net of allowance (Note 2)      | 749,589              | 966,995                    |
| Accounts receivable                                      | 75,327               | 1,095                      |
| Split interest agreements (Note 3)                       | 73,129               | 99,954                     |
| Prepays and other assets                                 | 21,805               | 14,313                     |
| Investments (Note 5)                                     | 36,321,672           | 37,873,991                 |
| Equipment, net of accumulated depreciation (Note 6)      | 404                  | 1,614                      |
| Total assets   | <u>\$ 43,230,255</u> | <u>\$ 47,519,469</u>       |
| <b>Liabilities</b>                                       |                      |                            |
| Scholarships, payables and accrued compensation (Note 8) | <u>\$ 2,338,572</u>  | <u>\$ 2,049,660</u>        |
| Total liabilities  | <u>2,338,572</u>     | <u>2,049,660</u>           |
| <b>Net Assets</b>  |                      |                            |
| Without donor restrictions (Note 10)                     | 1,999,225            | 1,977,944                  |
| With donor restrictions (Note 10)                        | <u>38,892,458</u>    | <u>43,491,865</u>          |
| Total net assets   | <u>40,891,683</u>    | <u>45,469,809</u>          |
| Total liabilities and net assets                         | <u>\$ 43,230,255</u> | <u>\$ 47,519,469</u>       |

Cabrillo College Foundation  
Statement of Activities  
Year Ended June 30, 2022  
(with comparative totals for June 30, 2021)

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Total        | (Restated)<br>2021   |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| <b>Support and Revenues</b>                         |                               |                            |                      |                      |
| Contributions, net of uncollectible amounts         | \$ 532,323                    | \$ 3,305,836               | \$ 3,838,159         | \$ 5,925,214         |
| Contributions - paycheck protection program loans   | -                             | -                          | -                    | 102,569              |
| Investment income (loss) net of investment expenses | (224,382)                     | (5,399,421)                | (5,623,803)          | 6,873,276            |
| Endowment management fee                            | 577,254                       | -                          | 577,254              | 529,602              |
| In-kind contributions                               | 25,071                        | 49,104                     | 74,175               | 46,682               |
| Other income  | 113,702                       | -                          | 113,702              | 123,309              |
| Net assets released from restrictions               | 2,554,926                     | (2,554,926)                | -                    | -                    |
| <b>Total support and revenues</b>                   | <b>3,578,894</b>              | <b>(4,599,407)</b>         | <b>(1,020,513)</b>   | <b>13,600,652</b>    |
| <b>Expenses</b>                                     |                               |                            |                      |                      |
| Program services                                    |                               |                            |                      |                      |
| Scholarships and awards                             | 1,598,367                     | -                          | 1,598,367            | 1,351,136            |
| College support                                     | 1,364,364                     | -                          | 1,364,364            | 1,006,682            |
| Supporting services                                 |                               |                            |                      |                      |
| Management and general                              | 391,852                       | -                          | 391,852              | 357,850              |
| Fundraising   | 203,030                       | -                          | 203,030              | 163,778              |
| <b>Total program and supporting services</b>        | <b>3,557,613</b>              | <b>-</b>                   | <b>3,557,613</b>     | <b>2,879,446</b>     |
| Change in Net Assets                                | 21,281                        | (4,599,407)                | (4,578,126)          | 10,721,206           |
| Net Assets, Beginning of Year, restated             | 1,977,944                     | 43,491,865                 | 45,469,809           | 34,748,603           |
| Net Assets, End of Year                             | <u>\$ 1,999,225</u>           | <u>\$ 38,892,458</u>       | <u>\$ 40,891,683</u> | <u>\$ 45,469,809</u> |

Cabrillo College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2022  
(with comparative totals for June 30, 2021)

|                            | Scholarships<br>and Awards | College<br>Support  | Management<br>and<br>General | Fundraising       | 2022<br>Total<br>Expenses | 2021<br>(Restated)  |
|----------------------------|----------------------------|---------------------|------------------------------|-------------------|---------------------------|---------------------|
| Direct Program Support     |                            |                     |                              |                   |                           |                     |
| Scholarships and awards    | \$ 1,462,312               | \$ -                | \$ -                         | \$ -              | \$ 1,462,312              | \$ 1,218,973        |
| College support            | -                          | 1,030,628           | -                            | -                 | 1,030,628                 | 712,319             |
| Supporting Services        |                            |                     |                              |                   |                           |                     |
| Salaries                   | 74,945                     | 173,464             | 199,178                      | 82,365            | 529,952                   | 512,245             |
| Employee benefits          | 32,506                     | 75,238              | 86,392                       | 35,725            | 229,861                   | 221,320             |
| Payroll taxes              | 5,572                      | 12,898              | 15,841                       | 6,319             | 40,630                    | 40,978              |
| Insurance                  | 1,428                      | 1,428               | 4,743                        | 1,428             | 9,027                     | 7,219               |
| Printing                   | 3,759                      | 3,759               | 5,639                        | 5,639             | 18,796                    | 12,371              |
| Consultants                | -                          | -                   | 40,575                       | 1,050             | 41,625                    | 27,505              |
| Office supplies            | 974                        | 974                 | 1,828                        | 974               | 4,750                     | 5,312               |
| Office equipment           | 2,865                      | 2,865               | 2,864                        | 2,865             | 11,459                    | 2,304               |
| Software and maintenance   | 6,044                      | 6,044               | 7,007                        | 6,044             | 25,139                    | 24,241              |
| Postage and delivery       | 1,455                      | 1,455               | 1,456                        | 5,336             | 9,702                     | 7,327               |
| Bank charges               | -                          | -                   | 9,977                        | -                 | 9,977                     | 7,897               |
| Depreciation               | 302                        | 302                 | 303                          | 303               | 1,210                     | 1,211               |
| Miscellaneous              | -                          | -                   | 9,506                        | -                 | 9,506                     | 10,759              |
| Training                   | -                          | -                   | 337                          | 506               | 843                       | 1,615               |
| In-kind supplies/materials | -                          | 49,104              | -                            | 250               | 49,354                    | 22,970              |
| Occupancy                  | 6,205                      | 6,205               | 6,206                        | 6,205             | 24,821                    | 23,712              |
| Public relations           | -                          | -                   | -                            | 48,021            | 48,021                    | 19,168              |
|                            | <u>\$ 1,598,367</u>        | <u>\$ 1,364,364</u> | <u>\$ 391,852</u>            | <u>\$ 203,030</u> | <u>\$ 3,557,613</u>       | <u>\$ 2,879,446</u> |



**Cabrillo College Foundation**  
 Statement of Cash Flows  
 Year Ended June 30, 2022  
 (with comparative totals for June 30, 2021)

|  | 2022           | 2021          |
|--|----------------|---------------|
| Cash Flows from Operating Activities   |                |               |
| Change in net assets   | \$ (4,578,126) | \$ 10,721,206 |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operations |                |               |
| Depreciation   | 1,210          | 1,211         |
| Realized/Unrealized (gain)/loss on investments   | 5,728,880      | (6,870,995)   |
| Donated securities   | 140,625        | 184,762       |
| Change in valuation of split-interest agreements   | 26,825         | 17,874        |
| Change in operating assets and liabilities   |                |               |
| Contributions receivable   | 217,406        | 244,330       |
| Accounts receivable  | (74,232)       | 41,318        |
| Prepays and other assets   | (7,492)        | 8,734         |
| Scholarships, payables and accrued compensation  | 288,912        | (130,073)     |
| Net Cash Provided (Used) by Operating Activities   | 1,744,008      | 4,218,367     |
| Cash Flows provided (used) by Investing Activities   |                |               |
| Purchases of investments   | (10,449,400)   | (11,636,021)  |
| Proceeds from sale of investments  | 6,132,214      | 7,055,757     |
| Net Cash Provided (Used) by Investing Activities   | (4,317,186)    | (4,580,264)   |
| Cash Flows from Financing Activities   |                |               |
| Proceeds from refundable advance (PPP loan)  | -              | (102,569)     |
| Net Change in Cash and Cash Equivalents  | (2,573,178)    | (464,466)     |
| Cash and Cash Equivalents, Beginning of Year   | 8,561,507      | 9,025,973     |
| Cash and Cash Equivalents, End of Year   | \$ 5,988,329   | \$ 8,561,507  |
| <br>Supplemental Disclosure on Noncash Activities  |                |               |
| In - kind donations  | \$ 74,175      | \$ 46,682     |

## **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.

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include 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 Organization's audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

### **Basis of Presentation**

The accompanying financial statement presentation follows the recommendations prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

### **Net Assets**

Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purpose from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

### **Receivables**

Accounts receivable consist primarily of noninterest-bearing amounts due for services performed. The Foundation does not consider that the allowance for doubtful accounts is necessary as management believes all receivables are collectible. Uncollectible receivable will be written off in the year it deemed uncollectible. As of June 30, 2022 and 2021, no amounts were written off.

### **Revenue Recognition**

An investment management fee is charged by the Foundation and recognized as the services are performed for the management of the endowment. Unconditional grants and contributions are recognized when promised and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Management believes all contributions are collectible and no allowance for doubtful accounts is necessary. Contributions are written off when deemed uncollectible. As of June 30, 2022 and 2021, no contributions were written off.

### **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, 2022, and 2021 were \$1,210 and \$1,211, respectively.

**Assets Held and Liabilities Under Split-Interest Agreements**

*Charitable Trusts*

The Organization has been named as a beneficiary in various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Organization as the beneficiary of the trust asset, the asset is not recorded. If the trust is irrevocable, and the amount to be received is known, the trust assets are recorded as a receivable. When the trust asset is distributed, any funds in excess of the receivable is recorded as a contribution.

*Charitable Gift Annuities*

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets. Contributed assets are recorded at fair value on the date of receipt. Payments to the annuitant are made through a third party. Annually during the course of the audit the balance of the annuity is updated with the balance of assets remaining.

**In-kind Contributions**

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

In-kind contributions for the years ended June 30, 2022 and 2021, are as follows:

|  | 2022      | 2021      |
|--|-----------|-----------|
| Rent - allocated to programs and supporting services | \$ 24,821 | \$ 23,712 |
| Supplies and materials - restricted for program use  | 49,354    | 22,970    |
| Total  | \$ 74,175 | \$ 46,682 |

Office space was provided by the Cabrillo Community College District on behalf of the Foundation. The valuation is based on the square footage of the office space at the market price that they would have to pay if not contributed. Donated supplies and materials include items donated to the Foundation for the use of the Foundation or the District. The value of the supplies and materials is based on the fair value of the same or similar products in the local market.

### **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, 2022 and 2021, bank balances in excess of Federal depository insurance coverage were \$13,498 and \$220,000, respectively.

### **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). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. 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 on a reasonable basis that is consistently applied. The 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 attributed 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.

### **Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from other foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

### **Change in Accounting Policy**

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

**Note 2 - Contributions Receivable**

Contributions receivable represent unconditional promises to give, which have been made by donors, but not received. Discounting for contributions receivable in two to five years was not performed as the amount of the discount was immaterial. Contributions receivable at June 30, 2022 and 2021 were as follows:

|                                 | 2022       | 2021       |
|---------------------------------|------------|------------|
| Receivable in one year or less  | \$ 719,589 | \$ 586,995 |
| Receivable in two to five years | 30,000     | 380,000    |
| Total contributions receivable  | \$ 749,589 | \$ 966,995 |

For the year ended June 30, 2022, two receivable balances provided approximately 81% 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, 2022 consist of amounts for which the Foundation has been notified of being named a beneficiary of various estates with an expected value of approximately \$28,146,600. This amount is not recorded in the financial statement because they are revocable planned gifts.

**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, 2022 and 2021, the beneficial interest was valued as follows:

|                           | 2022      | 2021      |
|---------------------------|-----------|-----------|
| Split interest agreements |           |           |
| Charitable lead trust     | \$ 34,188 | \$ 43,180 |
| Charitable gift annuities | 38,941    | 48,472    |
| Total                     | \$ 73,129 | \$ 99,954 |

**Note 4 - Related Party Transactions**

Foundation board members donated a total of \$159,475 in stock and cash to the Foundation during the fiscal year ended June 30, 2022.

**Note 5 - Investments**

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

|   | 2022          | 2021          |
|---|---------------|---------------|
| Investments   | \$ 36,321,672 | \$ 37,873,991 |
| Investments - cash equivalents  | 5,735,518     | 8,129,430     |
| Total Investments   | 42,057,190    | 46,003,421    |
| Cash  | 252,811       | 432,077       |
| Total cash, cash equivalents, and investments                             | \$ 42,310,001 | \$ 46,435,498 |
|   |               |               |
|   | 2022          | 2021          |
| Funds invested in common stock  | \$ 6,731,728  | \$ 5,994,866  |
| Funds invested in bonds   | 164,030       | -             |
| Funds invested in fixed income securities                                 | 4,727,944     | 3,284,154     |
| Funds invested in U.S. Government Securities                              | 4,242,221     | 3,647,699     |
| Funds invested in closed end funds, structured products and action rights | 13,521,278    | 18,442,704    |
| Funds invested in managed certificates of deposits and money markets      | 177,116       | 143,480       |
| Funds invested in mutual funds  | 6,757,355     | 6,311,210     |
| Total   | \$ 36,321,672 | \$ 37,873,991 |

Investment activity for the year ended June 30, 2022 and 2021, consisted of the following:

|  | 2022           | 2021         |
|--|----------------|--------------|
| Realized gains (losses) on investments   | \$ 1,946,523   | \$ 946,331   |
| Unrealized gains (losses) on investments                                       | (7,675,403)    | 5,924,664    |
| Interest and dividends   | 859,919        | 675,089      |
| Gain (loss) on split interest agreements                                       | (9,531)        | -            |
| Total investment income (loss)   | (4,878,492)    | 7,546,084    |
| Investment expenses - investment fees  | (168,057)      | (143,206)    |
| Investment expense - management fees   | (577,254)      | (529,602)    |
| Total investment income (loss), management fees,<br>net of investment expenses | \$ (5,623,803) | \$ 6,873,276 |



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's endowment (the Endowment) consists of approximately 442 individual funds established by donors to provide annual funding for specific activities. The Endowment also include certain net assets with donor restrictions that have been designated by the Board of Directors.

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The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As of June 30, 2022, there were no explicit donor stipulations to the contrary. The spending policy allows the Foundation to spent up to 20% into the corpus. The Foundation considered the long-term expected return on its endowment as a result of this interpretation.

As of June 30, 2022 and 2021, endowment net asset composition by type of fund is as follows:

|  | 2022          |                         |               | 2021<br>Total |
|--|---------------|-------------------------|---------------|---------------|
|  | Corpus        | Accumulated<br>Earnings | Total         |               |
| Board-designated endowment funds   | \$ 369,190    | \$ 120,844              | \$ 490,034    | \$ 567,713    |
| Donor-restricted endowment funds   |               |                         |               |               |
| Original donor-restricted gift amount<br>and amounts required to be maintained<br>in perpetuity by donor | 29,898,983    | 1,828,449               | 31,727,432    | 39,498,498    |
| Total Endowment Funds  | \$ 30,268,173 | \$ 1,949,293            | \$ 32,217,466 | \$ 40,066,211 |

**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:

|  | 2022         | 2021          |
|--|--------------|---------------|
| Operating cash                             | \$ 252,811   | \$ 432,077    |
| Contributions receivable due in one year   | 719,589      | 586,995       |
| Accounts receivable due in one year        | 75,327       | 1,095         |
| Operating investments and cash equivalents | 3,164,732    | 15,735,248    |
|  | \$ 4,212,459 | \$ 16,755,415 |

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, 2022 and 2021, consisted of the following:

|                          | 2022      | 2021      |
|--------------------------|-----------|-----------|
| Equipment                | \$ 36,303 | \$ 36,303 |
| Accumulated depreciation | (35,899)  | (34,689)  |
|                          | \$ 404    | \$ 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:

|                                 | College Support &<br>Scholarships | Accrued<br>compensation | Accounts<br>Payable | Total        | Total<br>2021 |
|---------------------------------|-----------------------------------|-------------------------|---------------------|--------------|---------------|
| Payable in one year or less     | \$ 1,044,720                      | \$ 74,237               | \$ 510,401          | \$ 1,629,358 | \$ 1,455,948  |
| Payable in two to five years    | 492,898                           | -                       | -                   | 492,898      | 373,658       |
| Payable in more than five years | 216,316                           | -                       | -                   | 216,316      | 220,054       |
| Total payable                   | \$ 1,753,934                      | \$ 74,237               | \$ 510,401          | \$ 2,338,572 | \$ 2,049,660  |

**Note 9 - Fair Value Measurement and Disclosures**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Organization invests in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The fair values of beneficial interests in charitable and perpetual trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered Level 3 measurements.

#### 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, 2022. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021.

|   | 2022                 |                     |                  | Total                | 2021<br>Total        |
|---|----------------------|---------------------|------------------|----------------------|----------------------|
|   | Level 1              | Level 2             | Level 3          |                      |                      |
| Assets  |                      |                     |                  |                      |                      |
| Funds invested in                                     |                      |                     |                  |                      |                      |
| Common stock  | \$ 6,731,728         | \$ -                | \$ -             | \$ 6,731,728         | \$ 5,994,866         |
| Preferred stocks                                      | -                    | -                   | -                | -                    | 49,878               |
| Corporate bonds and notes                             | 853,786              | 2,570,332           | -                | 3,424,118            | 3,284,154            |
| U.S. Government securities                            | -                    | 4,242,221           | -                | 4,242,221            | 3,647,699            |
| Closed end funds and<br>structured products           | 13,521,278           | -                   | -                | 13,521,278           | 18,442,704           |
| Real estate   | -                    | 1,467,856           | -                | 1,467,856            | -                    |
| Managed certificates of deposits<br>and money markets | 177,116              | -                   | -                | 177,116              | 143,480              |
| Mutual funds  | 6,684,226            | -                   | 73,129           | 6,757,355            | 6,311,210            |
| <b>Total</b>  | <b>\$ 27,968,134</b> | <b>\$ 8,280,409</b> | <b>\$ 73,129</b> | <b>\$ 36,321,672</b> | <b>\$ 37,873,991</b> |

**Note 10 - Net Assets**

At June 30, 2022 and 2021, net assets without donor restrictions consisted of the following:

|                          | 2022         | (Restated)<br>2021 |
|--------------------------|--------------|--------------------|
| Designated               |              |                    |
| Hurd Tribute             | \$ 255,759   | \$ 294,302         |
| President's Circle       | 10,000       | 10,000             |
| Computers                | 15,000       | 15,000             |
| Retiree medical benefits | 82,380       | 75,003             |
| Operating reserve        | 867,658      | 541,766            |
| Undesignated             |              |                    |
| Undesignated             | 768,428      | 1,041,873          |
| Total                    | \$ 1,999,225 | \$ 1,977,944       |

At June 30, 2022 and 2021, net assets with donor restrictions consist of the following scholarship and college support non-endowed and endowed funds:

|   | 2022          | 2021          |
|---|---------------|---------------|
| With Donor Restrictions                                     |               |               |
| Endowed scholarship and college support funds available     | \$ 2,168,394  | \$ 2,066,079  |
| Endowed accumulated earnings                                | 1,091,512     | 7,731,959     |
| Subtotal  | 3,259,906     | 9,798,038     |
| Non-endowed scholarship and college support funds available | 3,415,086     | 3,425,654     |
| Subtotal  | 6,674,992     | 13,223,692    |
| Endowment corpus  | 32,217,466    | 30,268,173    |
| Total net assets with donor restrictions                    | \$ 38,892,458 | \$ 43,491,865 |

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At June 30, 2022 and 2021, 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, are allocated as follows:

|                                    | 2022                    |                      |                      | 2021<br>Total        |
|------------------------------------|-------------------------|----------------------|----------------------|----------------------|
|                                    | Accumulated<br>Earnings | Corpus               | Total                |                      |
| Endowment Funds                    |                         |                      |                      |                      |
| Board designated-beginning of year | \$ 120,845              | \$ 369,190           | \$ 490,035           | \$ 498,435           |
| Donor restricted-beginning of year | \$ 9,677,193            | \$ 29,898,983        | \$ 39,576,176        | \$ 29,806,408        |
| Contributions                      | 6,141                   | 1,949,293            | 1,955,434            | 3,729,603            |
| Scholarships and college support   | (1,129,398)             | -                    | (1,129,398)          | (807,644)            |
| Investment earnings (loss)         | (4,667,069)             | -                    | (4,667,069)          | 7,520,128            |
| Investment and management fees     | (734,687)               | -                    | (734,687)            | (668,468)            |
| Other increases/decreases          | (13,119)                | -                    | (13,119)             | (12,251)             |
| End of year                        | <u>\$ 3,259,906</u>     | <u>\$ 32,217,466</u> | <u>\$ 35,477,372</u> | <u>\$ 40,066,211</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events by the donors as follows for the years ended June 30, 2022:

|                                      | 2022                | 2021                |
|--------------------------------------|---------------------|---------------------|
| Satisfaction of purpose restrictions |                     |                     |
| Scholarships and college support     | <u>\$ 2,554,926</u> | <u>\$ 1,965,882</u> |

## Note 11 - Retirement Plans

### California Public Employees Retirement System (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.

#### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Organization is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total Foundation's contributions were \$40,733.

**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. During the fiscal year 2021-2022, the Foundation contributed \$7,377 to the OPEB Plan.

**Note 13 - Restatement**

During 2022, the Foundation identified misstatements within the 2021 and prior financial statements related to pension and OPEB balances that were incorrectly recorded in the financial statements. As a result, the Foundation restated its previously issued financial statements to appropriately reflect the June 30, 2021 assets, liabilities and net assets without donor restrictions.



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The following is a summary of the effects of the restatement in the Foundation's June 30, 2021 Statement of Financial Position Comparative Totals:

|   | <u>As Previously<br/>Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|---|-----------------------------------|-------------------|--------------------|
| As of June 30, 2021                                 |                                   |                   |                    |
| Deferred outflows related to pension and OPEB plans | \$ 112,176                        | \$ (112,176)      | \$ -               |
| Total assets  | 47,631,645                        | (112,176)         | 47,519,469         |
| Net pension liability                               | 515,027                           | (515,027)         | -                  |
| Deferred inflows related to pension plans           | 3,673                             | (3,673)           | -                  |
| Other post employment benefits                      | 160,009                           | (160,009)         | -                  |
| Total liabilities                                   | 2,728,369                         | (678,709)         | 2,049,660          |
| Net assets without donor restrictions               | 1,411,411                         | 566,533           | 1,977,944          |
| Total net assets                                    | 44,903,276                        | 566,533           | 45,469,809         |
| Total liabilities and net assets                    | 47,631,645                        | (112,176)         | 47,519,469         |

The following is a summary of the effects of the restatement in the Foundation's June 30, 2021 Statement of Activities Comparative Totals:

|                                       | <u>As Previously<br/>Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|---------------------------------------|-----------------------------------|-------------------|--------------------|
| Year Ended June 30, 2021              |                                   |                   |                    |
| Management and general                | \$ 395,418                        | \$ (37,568)       | \$ 357,850         |
| Total program and supporting services | 2,917,014                         | (37,568)          | 2,879,446          |
| Change in net assets                  | 10,683,638                        | 37,568            | 10,721,206         |
| Net assets, end of year               | 44,903,276                        | 566,533           | 45,469,809         |

The following is a summary of the effects of the restatement in the Foundation's June 30, 2021, Statement of Functional Expenses Comparative Totals:

|  | <u>As Previously<br/>Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|--|-----------------------------------|-------------------|--------------------|
| Year Ended June 30, 2021                   |                                   |                   |                    |
| Employee benefits (Management and General) | \$ 115,668                        | \$ (37,568)       | \$ 78,100          |
| Employee benefits (Total Expenses)         | 258,888                           | (37,568)          | 221,320            |
| Total (Management and General)             | 395,418                           | (37,568)          | 357,850            |
| Total Expenses                             | 2,917,014                         | (37,568)          | 2,879,446          |

The following is a summary of the effects of the restatement in the Foundation's June 30, 2021, Statement of Cash Flows Comparative Totals:

|   | As Previously<br>Reported | Adjustment  | As Restated   |
|---|---------------------------|-------------|---------------|
| Year Ended June 30, 2021                          |                           |             |               |
| Cash Flows from Operating Activities              |                           |             |               |
| Change in net assets                              | \$ 10,683,638             | \$ 37,568   | \$ 10,721,206 |
| Change in operating assets and liabilities        |                           |             |               |
| Net pension obligation                            | 36,534                    | (36,534)    | -             |
| Other post employment benefits                    | 1,034                     | (1,034)     | -             |
| Realized/Unrealized (gain)/loss<br>on investments | -                         | (6,870,995) | (6,870,995)   |
| Cash Flows from Investing Activities              |                           |             |               |
| Proceeds from sale of investments                 | 184,762                   | 6,870,995   | 7,055,757     |

**Note 14 - Subsequent Events**

The Foundation's management has evaluated subsequent events through February 15, 2023, which is the date the financial statements were available to be issued.