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CABRILLO COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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CABRILLO COLLEGE FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cabrillo College Foundation
Aptos, California

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Cabrillo College Foundation (the "Foundation"), as of and for the years ended June 30, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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, 2023, and 2022, and the changes to 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 13 to the financial statements, the 2022 financial statements have been restated to properly reflect the pension and OPEB liabilities. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Foundation's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards:

- 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 the 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 the Foundation’s ability to continue as a going concern for a reasonable period.

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.

CWDL, Certified Public Accountants

San Diego, California
November 14, 2023

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FINANCIAL STATEMENTS

CABRILLO COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	
Cash and cash equivalents	$ 6,290,041
Contributions receivable, net of allowance (note 2)	197,506
Accounts receivable	107,606
Split interest agreements (note 3)	65,512
Prepaids and other assets	29,340
Investments (note 5)	39,324,675
Total assets	$ 46,014,680
LIABILITIES	
Scholarships, payables and accrued compensation (note 8)	$ 2,294,587
Unfunded pension obligation (note 11)	602,845
Other post employment benefits (note 12)	166,789
Total liabilities	3,064,221
NET ASSETS	
Net assets without donor restrictions	1,546,812
Net assets with donor restrictions	41,403,647
Total net assets	42,950,459
Total liabilities and net assets	$ 46,014,680

CABRILLO COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	
Cash and cash equivalents	$ 5,988,329
Contributions receivable, net of allowance (note 2)	749,589
Accounts receivable	75,327
Split interest agreements (note 3)	73,129
Prepaids and other assets	21,805
Investments (note 5)	36,321,672
Equipment, net of accumulated depreciation (note 7)	404
Total assets	$ 43,230,255
LIABILITIES	
Scholarships, payables and accrued compensation (note 8)	$ 2,338,572
Total liabilities	2,338,572
NET ASSETS	
Net assets without donor restrictions	1,999,225
Net assets with donor restrictions	38,892,458
Total net assets	40,891,683
Total liabilities and net assets	$ 43,230,255

CABRILLO COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions, net of uncollectible amounts	$ 552,436	$ 3,976,696	$ 4,529,132
Net investment income	40,859	1,314,861	1,355,720
Endowment management fee	581,868	-	581,868
In-kind donations	24,821	26,149	50,970
Other income	169,237	-	169,237
Net assets released from restriction	2,806,517	(2,806,517)	-
Total Support and Revenue	4,175,738	2,511,189	6,686,927
EXPENSES			
Program services			
Scholarships and awards	1,524,431	-	1,524,431
College support	1,889,564	-	1,889,564
Supporting services			
Management and General	537,783	-	537,783
Fundraising	266,570	-	266,570
Total Expenses	4,218,348	-	4,218,348
Change in Net Assets	(42,610)	2,511,189	2,468,579
Net Assets - Beginning of Year	1,999,225	38,892,458	40,891,683
Prior Period Adjustment (see note 13)	(409,803)	-	(409,803)
Net Assets - End of Year	$ 1,546,812	$ 41,403,647	$ 42,950,459

CABRILLO COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions, net of uncollectible amounts	$ 532,323	$ 3,305,836	$ 3,838,159
Net investment income	(224,382)	(5,399,421)	(5,623,803)
Endowment management fee	577,254	-	577,254
In-kind donations	25,071	49,104	74,175
Other income	113,702	-	113,702
Net assets released from restriction	2,554,926	(2,554,926)	-
Total Support and Revenue	3,578,894	(4,599,407)	(1,020,513)
EXPENSES			
Program services			
Scholarships and awards	1,598,367	-	1,598,367
College support	1,364,364	-	1,364,364
Supporting services			
Management and General	391,852	-	391,852
Fundraising	203,030	-	203,030
Total Expenses	3,557,613	-	3,557,613
Change in Net Assets	21,281	(4,599,407)	(4,578,126)
Net Assets - Beginning of Year	1,977,944	43,491,865	45,469,809
Net Assets - End of Year	$ 1,999,225	$ 38,892,458	$ 40,891,683

CABRILLO COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program				
	Scholarships and Awards	**College Support**	**Management and General**	**Fundraising**	**Total**
Direct Program Support					
Scholarships and awards	$ 1,295,478	$ -	$ -	$ -	$ 1,295,478
College support	-	1,464,426	-	-	1,464,426
Supporting Services					
Salaries	115,732	165,744	196,419	80,435	558,330
Employee benefits	34,499	79,851	91,689	37,916	243,955
Benefits-post employment	50,886	117,780	135,240	55,925	359,831
Payroll taxes	6,016	13,926	17,104	6,823	43,869
Insurance	1,721	1,721	5,715	1,720	10,877
Printing	3,219	3,219	4,830	4,830	16,098
Consultants	-	-	46,472	1,203	47,675
Office supplies	1,759	1,759	3,302	1,760	8,580
Office equipment	672	672	672	671	2,687
Software and maintenance	6,323	6,323	7,330	6,323	26,299
Postage and delivery	1,820	1,820	1,821	6,672	12,133
Bank charges	-	-	8,353	-	8,353
Depreciation	101	101	101	100	403
Miscellaneous	-	-	10,109	-	10,109
Training	-	-	2,420	3,633	6,053
In-kind supplies/materials	-	26,017	-	132	26,149
Other	6,205	6,205	6,206	6,205	24,821
Public relations	-	-	-	52,222	52,222
Total	$ 1,524,431	$ 1,889,564	$ 537,783	$ 266,570	$ 4,218,348

CABRILLO COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program				
	Scholarships and Awards	College Support	Management and General	Fundraising	Total
Direct Program Support					
Scholarships and awards	$ 1,462,312	$ -	$ -	$ -	$ 1,462,312
College support	-	1,030,628	-	-	1,030,628
Supporting Services					
Salaries	74,945	173,464	199,178	82,365	529,952
Employee benefits	32,506	75,238	86,392	35,725	229,861
Payroll taxes	5,572	12,898	15,841	6,319	40,630
Insurance	1,428	1,428	4,743	1,428	9,027
Printing	3,759	3,759	5,639	5,639	18,796
Consultants	-	-	40,575	1,050	41,625
Office supplies	974	974	1,828	974	4,750
Office equipment	2,865	2,865	2,864	2,865	11,459
Software and maintenance	6,044	6,044	7,007	6,044	25,139
Postage and delivery	1,455	1,455	1,456	5,336	9,702
Bank charges	-	-	9,977	-	9,977
Depreciation	302	302	303	303	1,210
Miscellaneous	-	-	9,506	-	9,506
Training	-	-	337	506	843
In-kind supplies/materials	-	49,104	-	250	49,354
Other	6,205	6,205	6,206	6,205	24,821
Public relations	-	-	-	48,021	48,021
Total	$ 1,598,367	$ 1,364,364	$ 391,852	$ 203,030	$ 3,557,613

CABRILLO COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022

Year Ended June 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,468,579	$ (4,578,126)
Adjustments to reconcile change in net assets to net cash provided (used) by operations		
Depreciation	(404)	1,210
Realized/unrealized (gain)/loss on investment	(1,256,254)	5,728,880
Donated securities	-	140,625
Change in valuation of split-interest agreements	(7,617)	26,825
Change in operating assets and liabilities		
Contributions receivable	(552,083)	217,406
Accounts receivable	32,279	(74,232)
Prepaids and other assets	7,535	(7,492)
Scholarships, payables and Accrued compensation	43,985	288,912
Post employment benefits	(166,789)	-
Unfunded pension liability	(602,845)	-
Net Cash Provided (Used) by Operating Activities	(33,614)	1,744,008
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of investments	(47,638,325)	(10,449,400)
Proceeds from sale of investments	47,973,651	6,132,214
Net Cash Provided (Used) in Investing Activities	335,326	(4,317,186)
Net Increase (Decrease) in Cash and Cash Equivalents	301,712	(2,573,178)
Cash and Cash Equivalents - Beginning of Year	5,988,329	8,561,507
Cash and Cash Equivalents - End of Year	$ 6,290,041	$ 5,988,329
Supplemental data for noncash investing activities:		
In-kind donations	$ 50,970	$ 74,175

NOTE 1 – 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, 2022, 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 financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

All donor-restricted contributions are recorded as increases in net assets with donor restrictions. When a restriction expires, either by the passage of time or the purpose is satisfied, the net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Possible expirations of net assets with donor restriction are (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less as cash equivalents.

Investments: Investments in marketable securities are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments is reported in the statement of activities. Investment income, which consists of interest, dividends, realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land held for investments: Land held for investments is carried at the lower of cost or fair value. Declines in the value of the investment is recognized if the aggregate fair value is less than the carrying amount, recoveries of aggregate fair value in subsequent periods is recorded in those periods subject only to the limitation that the carrying amount shall not exceed the original cost.

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, 2023 and 2022, 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, 2023 and 2022, 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.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in 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, 2023, and 2022 were $403 and $1,210, 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, 2023 and 2022, are as follows:

	2023	2022
Rent - allocated to programs and supporting services	$ 24,821	$ 24,821
Supplies and materials - restricted for program use	26,149	49,354
Total	$ 50,970	$ 74,175

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions -continued: 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, 2023 and 2022, bank balances in excess of Federal depository insurance coverage were $135,642 and $13,498, 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.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Accounting Principle: In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, Leases, (ASC Topic 842) by issuing Accounting Standards Update (ASU) No. 2016-02, which is effective January 1, 2022, and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations. On June, 30, 2023, the Foundation had no leases requiring recognition under ASC Topic 842.

NOTE 2 – PLEDGES 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, 2023 and 2022 were as follows:

	2023	2022
Receivable in one year or less	$ 171,122	$ 719,589
Receivable in two to five years	26,384	30,000
Total contributions receivable	$ 197,506	$ 749,589

For the year ended June 30, 2023, two receivable balances 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, 2023, consist of amounts for which the Foundation has been notified of being named a beneficiary of various estates with an expected value of approximately $28,180,268. 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, 2023 and 2022, the beneficial interest was valued as follows:

	2023	2022
Split Interest agreements		
Charitable lead trust	$ 25,715	$ 34,188
Charitable gift annuities	39,797	38,941
Total	$ 65,512	$ 73,129

NOTE 4 - RELATED PARTY TRANSACTIONS

Foundation board members donated a total of $1,007,210 to the Foundation during the fiscal year ended June 30, 2023.

NOTE 5 – INVESTMENTS

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

	2023	2022
Investments	$ 39,324,675	$ 36,321,672
Investments - cash equivalents	5,718,038	5,735,518
Total Investments	45,042,713	42,057,190
Cash	572,003.00	252,811.00
Total cash, cash equivalents, and investments	$ 45,614,716	$ 42,310,001

	2023	2022
Funds invested in common stock	$ 5,749,624	$ 6,731,728
Funds invested in bonds	679,574	164,030
Funds invested in fixed income securities	3,581,647	4,727,944
Funds invested in U.S. Government Securities	4,861,801	4,242,221
Funds invested in closed end funds, structured products and action rights	17,608,323	13,521,278
Funds invested in managed certificates of deposits and money markets	178,254	177,116
Funds invested in mutual funds	6,665,452	6,757,355
Total	$ 39,324,675	$ 36,321,672

NOTE 5 – INVESTMENTS (Continued)

Investment activity for the year ended June 30, 2023 and 2022, consisted of the following:

	2023	2022
Realized gains (losses) on investments	$ 1,226,113	$ 1,946,523
Unrealized gains (losses) on investments	(30,141)	(7,675,403)
Interest and dividends	850,930	859,919
Gain (loss) on split interest agreements	7,617	(9,531)
Total investment income (loss)	2,054,519	(4,878,492)
Investment expenses - investment fees	(116,960)	(168,057)
Investment expenses - management fees	(581,839)	(577,254)
Total investment income (loss), management fees, net of investment expenses	$ 1,355,720	$ (5,623,803)

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 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. This policy provides for more consistent and predictable spending for the programs supported by the Foundation and has the benefit of mitigating extreme market outcomes. To meet the target distribution rate of 4% and preserve the long-term, real purchasing power of assets, the Endowment will seek a 7% - 8% target return (4.0% distribution rate + CPI + 1.5% management fee. The average U.S. inflation rate as measured by CPI over the last 30 years is 2.5%).

NOTE 5 – INVESTMENTS (Continued)

Investment Policies - continued

Endowment Fund Corpus: The Cabrillo College Foundation's endowment (the Endowment) consists of approximately 449 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.

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, 2023, and 2022, there were no explicit donor stipulations to the contrary. The spending policy allows the Foundation to spent up to 20% of the corpus. The Foundation considered the long-term expected return on its endowment as a result of this interpretation.

At June 30, 2023 and 2022, endowment net asset composition by type of fund is as follows:

June 30, 2023	Corpus	Accumulated Earnings	Total
Board-designated endowment funds	$ 369,190	$ 131,107	$ 500,297
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	34,443,397	1,080,929	35,524,326
Total Endowment Funds	$ 34,812,587	$ 1,212,036	$ 36,024,623

June 30, 2022	Corpus	Accumulated Earnings	Total
Board-designated endowment funds	$ 369,190	$ 120,844	$ 490,034
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	29,898,983	1,828,449	31,727,432
Total Endowment Funds	$ 30,268,173	$ 1,949,293	$ 32,217,466

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:

	2023	2022
Operating cash	$ 572,003	$ 252,811
Contributions receivable due in one year	171,122	719,589
Accounts receivable due in one year	107,606	75,327
Operating investments and cash equivalents	5,718,038	3,164,732
	$ 6,568,769	$ 4,212,459

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

NOTE 7 – EQUIPMENT

Property and equipment at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Equipment	$ 36,303	$ 36,303
Accumulated depreciation	(36,303)	(35,899)
	$ -	$ 404

NOTE 8 – SCHOLARSHIPS, PAYABLES AND ACCRUED COMPENSTATION

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

June 30, 2023	College Support & Scholarships	Accrued Compensation	Accounts Payable	Total
Payable in one year or less	$ 904,160	$ 84,509	$ 533,914	$ 1,522,583
Payable in two to five years	451,434	-	-	451,434
Payable in more than five years	320,570	-	-	320,570
Total payable	$ 1,676,164	$ 84,509	$ 533,914	$ 2,294,587

June 30, 2022	College Support & Scholarships	Accrued Compensation	Accounts Payable	Total
Payable in one year or less	$ 1,044,720	$ 74,237	$ 510,401	$ 1,629,358
Payable in two to five years	492,898	-	-	492,898
Payable in more than five years	216,316	-	-	216,316
Total payable	$ 1,753,934	$ 74,237	$ 510,401	$ 2,338,572

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.

NOTE 9 – FAIR VALUE MEASUREMENT AND DISCLOSURES (CONTINUED)

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, 2023. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022.

	Level 1	Level 2	Level 3	Total
Funds invested in				
Common stock	$ 5,749,624	$ -	$ -	$ 5,749,624
Corporate bonds and notes	2,466,621	2,406,754	-	4,873,375
U.S. Government securities	-	4,861,801	-	4,861,801
Closed end funds and structured products	17,608,323	-	-	17,608,323
Real estate	-	936,771	-	936,771
Managed certificates of deposits				-
and money markets	178,254	-	-	178,254
Mutal funds	4,123,780	-	992,747	5,116,527
Total	$ 30,126,602	$ 8,205,326	$ 992,747	$ 39,324,675

NOTE 10 – NET ASSETS

At June 30, 2023 and 2022, net assets without donor restrictions consisted of the following:

	2023	2022
Designated		
Hurd Tribute	$ 255,759	$ 255,759
President's Circle	10,000	10,000
Computers	15,000	15,000
Retiree medical benefits	166,789	82,380
Operating reserve	891,246	867,658
Undesignated		
Undesignated	208,018	768,428
Total	$ 1,546,812	$ 1,999,225

NOTE 10 – NET ASSETS (CONTINUED)

At June 30, 2023 and 2022, net assets with donor restrictions consist of the following scholarship and college support non-endowed and endowed funds:

	2023	2022
With Donor Restrictions		
Endowed scholarships and college support funds available	$ 2,546,658	$ 2,168,394
Endowed accumulated earnings	1,080,900	1,091,512
Subtotal	3,627,558	3,259,906
Non-endowed scholarships and college support funds available	3,332,692	3,415,086
Subtotal	6,960,250	6,674,992
Endowment corpus	34,443,397	32,217,466
Total net assets with donor restrictions	$ 41,403,647	$ 38,892,458

At June 30, 2023 and 2022, 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:

June 30, 2023	Accumulated Earnings	Corpus	Total
Endowment Funds			
Board designated-beginning of year	$ 131,107	$ 369,190	$ 500,297
Donor restricted beginning of year	$ 3,259,906	$ 32,217,466	$ 35,477,372
Contributions	373,749	1,856,741	2,230,490
Scholarships and college support	(1,666,858)	-	(1,666,858)
Investment earnings (loss)	947,111	-	947,111
Investment and management fees	(581,868)	-	(581,868)
Other increases/decreases	4,550	-	4,550
End of year	$ 2,467,697	$ 34,443,397	$ 36,911,094

June 30, 2022	Accumulated Earnings	Corpus	Total
Endowment Funds			
Board designated-beginning of year	$ 120,845	$ 369,190	$ 490,035
Donor restricted beginning of year	$ 9,677,193	$ 29,898,983	$ 39,576,176
Contributions	6,141	1,949,293	1,955,434
Scholarships and college support	(1,129,398)	-	(1,129,398)
Investment earnings (loss)	(4,667,069)	-	(4,667,069)
Investment and management fees	(734,687)	-	(734,687)
Other increases/decreases	(13,119)	-	(13,119)
End of year	$ 3,259,906	$ 32,217,466	$ 35,477,372

NOTE 10 – NET ASSETS (CONTINUED)

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, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Scholarships and college support	$ 2,806,517	$ 2,554,926

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 six months,
- Employee's part-time position exceeds 1,000 hours in one fiscal year, or
- 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 Foundation pays the required employer contribution, and CalPERS eligible employees contribute their required contribution. The retirement calculation for Foundation employees is as follows:

Full-time and part-time eligible employees (classic members as defined by CalPERS) hired prior to October 1, 2011 have a retirement calculation of two percent at 55. 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 two percent at 62. PEPRA is Public Employees' Pension Reform Act. 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.

NOTE 11 – RETIREMENT PLANS (CONTINTUED)

Plan Valuation

Accounting Standards Codification (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 estimable.

The plan is a Multiple Employer Plan where the net pension liability is allocated to the plan based on the valuation date of June 30, 2023 and 2022. Its proportion of the CalPERS Miscellaneous Risk Pool is summarized as follows:

	Miscellaneous Public Agency Cost-Sharing (Classic)	Miscellaneous Public Agency Cost-Sharing (PEPRA)
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Required employee contribution rates	7.00%	6.80%
Required employer contribution rates:	10.40%	7.50%
Required unfunded liability payments to CalPERS	$58,190	

Actuarial Assumptions and Sensitivity to Changes in the Discount Rate The actuarial assumptions include: a discount rate of 6.90%, inflation of 2.30%, 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%), or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	$ 979,558	$ 602,845	$ 292,904

The Foundation made employer contributions to CalPERS for fiscal year ending June 30, 2023, and 2022, in the amount of $112,074 and $88,093, respectively.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

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. The following is a table of plan participants at June 30, 2022, the most current actuarial study measurement:

	Number of Participants
Retirees currently receiving benefits	1
Active employees eligible for future benefits	1
	2

Approximately 100% of the other post employment benefits obligation amount as of June 30, 2023 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 FASB ASB 713. The objection 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, 2022 and updated every two years, the Foundation’s had a other post employment benefits obligation of $166,789 as of June 30, 2023.

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.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (CONTINTUED)

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, 2022, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.88 percent investment rate of return (net of administrative expenses). Healthcare cost trend rates were estimated at 4 percent.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

During 2023, the Foundation identified misstatements within the 2022 and prior financial statements related to pension and OPEB balances that were not properly recorded in the financial statements. A beginning balance adjustment was made to bring on the Unfunded pension obligation and other post-employment benefit liability. The beginning balance adjustment decreased net assets by $409,803; of this restatement $174,394 was related to the OPEB and $234,409 was related to the pension liability respectively.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation concluded that no subsequent events have occurred from June 30, 2023, to November 14, 2023, the date of the financial statements, that would require recognition or disclosure in the financial statements.