Financial Statements
June 30, 2020

Cypress College Foundation

Independent Auditor's Report

Board of Directors
Cypress College Foundation
Cypress, California

Report on the Financial Statements
We have audited the accompanying financial statements of Cypress College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 345,603
Accounts receivable	11,852
Total current assets	357,455
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	265,088
Investments	3,215,299
Total noncurrent assets	3,480,387
Total assets	$ 3,837,842
Liabilities and Net Assets	
Current Liabilities	
Due to North Orange County Community College District	$ 89,275
Other current liabilities	330
Amounts held for others	315,437
Total current liabilities	405,042
Net Assets (Deficit)	
Without donor restrictions	(308,057)
With donor restrictions	3,740,857
Total net assets (Deficit)	3,432,800
Total liabilities and net assets	$ 3,837,842

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 280,217	$ 373,911	$ 654,128
President's Circle	20,240	-	20,240
Donated facilities	8,500	-	8,500
Special events	185,072	-	185,072
Other revenues	12,145	600	12,745
Assets released from restrictions	439,788	(439,788)	-
Total revenues	945,962	(65,277)	880,685
Expenses			
Program	804,285	-	804,285
Management and general	40,939	-	40,939
Fundraising	228,821	-	228,821
Total expenses	1,074,045	-	1,074,045
Other Income (Expense)			
Unrealized gain (loss), net	81,738	(11,506)	70,232
Interest and dividends, net of fees	74,861	-	74,861
Change in beneficial interest in assets held by the Foundation for California Community Colleges	-	13,258	13,258
Total other income (expense)	156,599	1,752	158,351
Change in Net Assets (Deficit)	28,516	(63,525)	(35,009)
Net Assets (Deficit), Beginning of Year	(336,573)	3,804,382	3,467,809
Net Assets (Deficit), End of Year	$ (308,057)	$ 3,740,857	$ 3,432,800

Operating Activities	
Change in net assets	$ (35,009)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Unrealized gain (loss), net	(70,232)
Contributions and grants restricted for long-term purposes	(41,557)
Changes in assets and liabilities	
Accounts receivable	32,029
Change in beneficial interest in assets held by the Foundation for California Community Colleges	1,475
Due to North Orange County Community College District	29,060
Other current liabilities	30
Amounts held for others	(5,657)
Net Cash from Operating Activities	(89,861)
Investing Activities	
Purchase of investments	(93,271)
Financing Activities	
Collections of contributions and grants restricted for long-term purposes	41,557
Change in Cash and Cash Equivalents	(141,575)
Cash and Cash Equivalents, Beginning of Year	487,178
Cash and Cash Equivalents, End of Year	$ 345,603

	Program	Management and General	Fundraising	Total
Salaries and benefits	$ 196,115	$ 14,709	$ 34,320	$ 245,144
Donated facilities	5,100	1,700	1,700	8,500
Scholarships	223,589	-	-	223,589
Capital improvement and equipment	306,076	-	-	306,076
Conferences and travel	8,240	-	-	8,240
Postage and printing	14,072	1,055	2,463	17,590
Banking expenses	575	37	-	612
Hospitality	14,782	1,109	2,587	18,478
Special events	-	11,500	180,171	191,671
Supplies	12,802	3,879	2,715	19,396
Other operating expenses	22,934	6,950	4,865	34,749
Total expenses	$ 804,285	$ 40,939	$ 228,821	$ 1,074,045

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Cypress College Foundation (the Foundation) is a nonprofit organization founded in 1972 for the purpose of receiving contributions for the support and advancement of education on behalf of Cypress College (the College). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Asset Accounting

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

> *Net Assets without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation.
>
> *Net Assets with Donor Restrictions* - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College.

During the year, many individuals, College staff, and administrators donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of and revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Foundation's Federal informational tax returns for the years ended June 30, 2017, 2018, and 2019, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2016, 2017, 2018, and 2019, are open to audit by State authorities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days, which are neither held for nor restricted by donors for long-term purposes. The Foundation maintains cash balances in financial institutions which are insured up to $250,000. At June 30, 2020, the Foundation did not have cash balances held in financial institutions in excess of the FDIC coverage.

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Foundation maintains cash balances with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to $500,000. At June 30, 2020, the Foundation had cash balances held in financial institutions in excess of SIPC in the amount of $2,520,012.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

Management Fee

Endowments received by the Foundation are subject to a 0.6 percent annual investment management fee and a 0.4 percent Cypress College Foundation management fee of the corpus value of the endowed asset. The fee will come from the interest earned off the endowment. Revenues received from management fees are used by the Foundation to further advancement efforts on behalf of Cypress College.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This Update requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. ASU 2014-09 will be effective for the Foundation for the year ending June 30, 2021. The full impact of this Update on the Foundation's financial statements has not yet been determined.

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for the Foundation for the year ending June 30, 2022. The full impact of this Update on the Foundation's financial statements has not yet been determined.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019, and will be implemented at that time. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

Note 2 - Liquidity and Availability

Financial assets available for general expenditures are those without donor or other restrictions limiting their use within one year of the statement of financial position. At June 30, 2020, the Foundation did not have such financial assets.

Note 3 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2020:

Scholarships and programs for the College	$ 909,354
Student assistance	35,114
Title V Grant	1,593,415
Others	261,755
Total donor-restricted net assets	$ 2,799,638

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

Scholarships and programs for the College	$ 676,131
Osher scholarships	265,088
Total donor-restricted net assets	$ 941,219

Note 4 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2020:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Mutual funds	$ 2,949,780	$ 3,020,012	$ 70,232
Certificates of deposit	195,287	195,287	-
Total	$ 3,145,067	$ 3,215,299	$ 70,232

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

Unrealized gain on investments, net	$ 70,232
Interest and dividends	93,302
Total investment income	163,534
Investment expenses	(18,441)
Total investment income, net of expenses	$ 145,093

Note 5 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges-Osher Endowment Scholarship

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the College and its donors have contributed $227,295. As of June 30, 2020, the ending balance of the Osher Endowment Scholarship was $265,088. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 6 - Fair Value Measurements and Disclosures

Certain assets 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.

The fair value of beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation for California Community Colleges. These are considered to be 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, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	Level 1	Level 3	Total
Assets			
Mutual funds	$ 3,020,012	$ -	$ 3,020,012
Certificates of deposit	195,287	-	195,287
Beneficial interest in assets held by the Foundation for California Community Colleges	-	265,088	265,088
Total	$ 3,215,299	$ 265,088	$ 3,480,387

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

	Beneficial Interest in FCCC
Balance at June 30, 2019	$ 266,563
Investment return, net	12,125
Distributions	(13,600)
Balance at June 30, 2020	$ 265,088

Note 7 - Accounts Receivable

Accounts receivable at June 30, 2020, represent amounts due to the Foundation as follows:

Investment management fee	$ 11,852

Note 8 - Amounts Held for Others

The Foundation acts as a fiscal agent for departments, organizations, and groups of Cypress College. Accordingly, at June 30, 2020, $315,437 of the Foundation’s assets belong to other parties. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

Note 9 - Endowment Grant

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2004. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received $300,000 over a five-year period ending June 30, 2010, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50% of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

Note 10 - Related Party Transactions

North Orange County Community College District

The North Orange County Community College District (the District) charges administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District and reimbursed by the Foundation. Accordingly, at June 30, 2020, the Foundation owed the District $89,275 for salaries and benefits. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal year 2020 amounted to $8,500 and have been reflected in the financial statements as donated facilities.

Note 11 - Donor Designated Endowments

The Foundation 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. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The mission of the Foundation and the purpose of the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and/or deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Foundation
g. The investment policy of the Foundation

Risk Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prudently invest in financial instruments which provide a reasonable measure of principal stability. 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 targets a diversified asset allocation within prudent risk constraints.Cypress College Foundation

Spending Policy

The Foundation's spending policy requires a target total return of 7%. The target distribution rate of 4.00% will be calculated over a trailing twelve quarter period for endowment funds with a historical gift balance of eighty percent or greater.

Funds with Deficiencies

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, there were no funds with original gift values that exceeded their fair values.

Changes in endowment net assets as of June 30, 2020, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 2,389,590
Contributions	41,557
Net appreciation	8,527
Amounts appropriated for expenditures	(4,100)
Endowment net assets, end of year	$ 2,435,574

Note 12 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2020 through December 4, 2020, which is the date the financial statements were available to be issued.

Subsequent to year-end, the Foundation has been impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is unknown.