Financial Statements
June 30, 2021

Cypress College Foundation

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CPAs & BUSINESS ADVISORS

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, 2021, 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.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Rancho Cucamonga, California
January 27, 2022

Assets	
Current Assets	
Cash and cash equivalents	$ 52
Accounts receivable	70,671
Total current assets	70,723
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	321,638
Investments	3,956,507
Total noncurrent assets	4,278,145
Total assets	$ 4,348,868
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 15,197
Due to North Orange County Community College District	29,465
Amounts held for others	275,748
Total current liabilities	320,410
Net Assets	
Without donor restrictions	34,021
With donor restrictions	3,994,437
Total net assets	4,028,458
Total liabilities and net assets	$ 4,348,868

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 210,620	$ 220,792	$ 431,412
President's Circle	20,160	-	20,160
Donated facilities	8,500	-	8,500
Special events	95,815	-	95,815
Other revenues	56,961	-	56,961
Assets released from restrictions	710,034	(710,034)	-
Total revenues	1,102,090	(489,242)	612,848
Expenses			
Program	652,659	-	652,659
Management and general	33,128	-	33,128
Fundraising	134,855	-	134,855
Total expenses	820,642	-	820,642
Other Income (Expense)			
Realized gain on investments	78,345	11,359	89,704
Unrealized gain (loss) on investments, net	(83,727)	674,913	591,186
Interest and dividends, net of fees	66,012	-	66,012
Change in beneficial interest in assets held by the Foundation for California Community Colleges	-	56,550	56,550
Total other income (expense)	60,630	742,822	803,452
Change in Net Assets	342,078	253,580	595,658
Net Assets (Deficit), Beginning of Year	(308,057)	3,740,857	3,432,800
Net Assets, End of Year	$ 34,021	$ 3,994,437	$ 4,028,458

Operating Activities		
Change in net assets	$	595,658
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net unrealized gain/(loss) on investments		(591,186)
Realized gain on investments		(89,704)
Change in beneficial interest in assets held by the Foundation for California Community Colleges		(56,550)
Contributions and grants restricted for long-term purposes		(1,120)
Changes in assets and liabilities		
Accounts receivable		(58,819)
Accounts payable		15,197
Due to North Orange County Community College District		(59,810)
Other current liabilities		(330)
Amounts held for others		(39,689)
Net Cash from Operating Activities		(286,353)
Investing Activities		
Purchase of investments		(2,433,297)
Sale of investments		2,372,979
Net Cash Flows From Investing Activities		(60,318)
Financing Activities		
Collections of contributions and grants restricted for long-term purposes		1,120
Change in Cash and Cash Equivalents		(345,551)
Cash and Cash Equivalents, Beginning of Year		345,603
Cash and Cash Equivalents, End of Year	$	52

	Program	Management and General	Fundraising	Total
Salaries and benefits	$ 194,026	$ 14,552	$ 33,954	$ 242,532
Donated facilities	5,100	1,700	1,700	8,500
Scholarships	406,059	-	-	406,059
Capital improvement and equipment	2,160	-	-	2,160
Professional fees	13,612	4,125	2,888	20,625
Postage and printing	9,780	733	1,711	12,224
Banking expenses	306	20	-	326
Hospitality	1,321	99	231	1,651
Special events	-	5,749	90,066	95,815
Supplies	4,160	1,261	883	6,304
Services and other operating expenses	16,135	4,889	3,422	24,446
Total expenses	$ 652,659	$ 33,128	$ 134,855	$ 820,642

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 operations 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 Recognition

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation adopted ASC 606 with a date of the initial application of July 1, 2020, using the full-retrospective method.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Foundation recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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 met.

The adoption of ASC 606 did not have a significant impact on the Foundation’s statement of financial position, results of its activities, or cash flows. The Foundation’s revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams. Based on the Foundation’s evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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.

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.

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.

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.

Concentrations

The Foundation maintains cash and investment balances at banks in excess of Federal Deposit of Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SPIC) limits. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

Accounts Receivable

Accounts receivable consists primarily of interest and donations receivable. Bad debts are accounted for by the direct write-off method. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

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% annual investment management fee. A Cypress College Foundation management fee of 2% is charged on all investments, with the exception of Legacy Society Endowments, bank certificate of deposits, and funds held by others such as the Osher fund. A fee of 0.4% is charged for Legacy Society Endowments on the corpus value of the endowed asset. Additionally, all temporarily restricted and campaign contribution gifts received are subject to a 5.0% operational support expense fee, with the exception of gifts to named scholarship recipients. Revenues received from these management fees are used by the Foundation to further advancement efforts on behalf of Cypress College.

Note 2 - 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 of the following:

	2021
Cash and cash equivalents	$ 52
Investments, at fair value	7,960
Accounts receivable	70,671
Total financial assets available within one year	$ 78,683

The Foundation uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

Note 3 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2021:

	Fair Market Value
Mutual funds	$ 3,756,817
Certificates of deposit	199,690
Total	$ 3,956,507

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2021:

Realized gain on investments, net	$ 89,704
Unrealized gain on investments, net	591,186
Interest and dividends	80,565
Total investment income	761,455
Investment expenses	(14,553)
Total investment income, net of expenses	$ 746,902

Note 4 - 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, 2021, the ending balance of the Osher Endowment Scholarship was $321,638. 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 5 - 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 values of beneficial interests in charitable 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. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair values of fund investments as reported by the Foundation. 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, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	$ 3,756,817	$ -	$ -	$ 3,756,817
Certificates of deposit	-	199,690	-	199,690
Beneficial interest in assets held by the Foundation for California Community Colleges	-	-	321,638	321,638
Total	$ 3,756,817	$ 199,690	$ 321,638	$ 4,278,145

Note 6 - Amounts Held for Others

The Foundation acts as a fiscal agent for departments, organizations, and groups of Cypress College. Accordingly, at June 30, 2021, $275,748 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 7 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2021:

Scholarships and programs for the College	$ 1,019,786
Student assistance	17,391
Title V Grant	1,705,088
Others	198,637
Total donor-restricted net assets	$ 2,940,902

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2021:

Scholarships and programs for the College	$ 731,897
Osher scholarships	321,638
Total donor-restricted net assets	$ 1,053,535

Note 8 - 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 9 - 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, 2021 and 2020 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.

Spending Policy

The Foundation’s spending policy requires a target total return of 7%, calculated based on a three-year rolling average for endowment funds.

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, 2021, there were no funds with original gift values that exceeded their fair values.

Changes in endowment net assets as of June 30, 2021, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 2,435,574
Contributions	1,120
Investment income	392,965
Amounts appropriated for expenditures	(325,356)
Endowment net assets, end of year	$ 2,504,303

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. At June 30, 2021, the Foundation owed the District $29,465 for salaries and benefits.

The District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal year 2021 amounted to $8,500 and have been reflected in the financial statements as donated facilities.

Note 11 - 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, 2021 through January 27, 2022, which is the date the financial statements were available to be issued.