



Financial Statements
June 30, 2019

Cypress College Foundation
(A California Nonprofit Corporation)

**CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The 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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the beginning of year net assets have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cypress College Foundation's internal control over financial reporting and compliance.



Rancho Cucamonga, California
June 2, 2020

**CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

Current Assets

Cash and cash equivalents	\$ 487,178
Accounts receivable	43,881
Total Current Assets	531,059

Noncurrent Assets

Beneficial interest in assets held by the Foundation for California Community Colleges	266,563
Investments	3,051,796
Total Noncurrent Assets	3,318,359
Total Assets	\$ 3,849,418

LIABILITIES AND NET ASSETS

Current Liabilities

Due to North Orange County Community College District	\$ 60,215
Other current liabilities	300
Amounts held for others	321,094
Total Current Liabilities	381,609

NET ASSETS (DEFICIT)

Without donor restrictions	(336,573)
With donor restrictions	3,804,382
Total Net Assets	3,467,809
Total Liabilities and Net Assets	\$ 3,849,418

See the accompanying notes to financial statements.

CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 143,031	\$ 991,759	\$ 1,134,790
President's Circle	25,886	-	25,886
Donated facilities	8,500	-	8,500
Special events	162,161	-	162,161
Other revenues	31,891	1,102	32,993
Assets released from restrictions	771,035	(771,035)	-
Total Revenues	1,142,504	221,826	1,364,330
EXPENSES			
Program	1,117,722	-	1,117,722
Management and general	43,811	-	43,811
Fundraising	270,257	-	270,257
Total Expenses	1,431,790	-	1,431,790
OTHER INCOME (EXPENSE)			
Unrealized gain (loss), net	142,521	(11,831)	130,690
Interest and dividends, net of fees	52,702	-	52,702
Change in beneficial interest in assets held by the Foundation for California Community Colleges	-	39,268	39,268
Total Other Income (Expense)	195,223	27,437	222,660
CHANGE IN NET ASSETS (DEFICIT)	(94,063)	249,263	155,200
NET ASSETS (DEFICIT), BEGINNING OF YEAR, as restated	(242,510)	3,555,119	3,312,609
NET ASSETS (DEFICIT), END OF YEAR	\$ (336,573)	\$ 3,804,382	\$ 3,467,809

See the accompanying notes to financial statements.

**CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 155,200
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Unrealized gain, net	(130,690)
Contributions and grants restricted for long-term purposes	(33,251)
Changes in Assets and Liabilities	
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(39,268)
Accounts receivable	(31,928)
Due from North Orange County Community College District	35,025
Due to North Orange County Community College District	45,766
Other current liabilities	300
Amounts held for others	125,769
Net Cash Flows From Operating Activities	<u>126,923</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(129,456)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions and grants restricted for long-term purposes	<u>33,251</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 30,718
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>456,460</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 487,178</u></u>

See the accompanying notes to financial statements.

CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 231,396	\$ 17,355	\$ 40,494	\$ 289,245
Donated facilities	5,100	1,700	1,700	8,500
Scholarships	441,766	-	-	441,766
Capital improvement and equipment	375,746	-	-	375,746
Conferences and travel	2,310	-	-	2,310
Professional fees	7,590	2,300	1,610	11,500
Postage and printing	8,723	654	1,527	10,904
Investment expenses	7,702	492	-	8,194
Hospitality	17,147	1,286	3,001	21,434
Special events	-	13,891	217,631	231,522
Supplies	8,816	2,671	1,870	13,357
Other operating expenses	11,426	3,462	2,424	17,312
TOTAL EXPENSES	<u>\$ 1,117,722</u>	<u>\$ 43,811</u>	<u>\$ 270,257</u>	<u>\$ 1,431,790</u>

See the accompanying notes to financial statements.

**CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 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.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund 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.

CYPRESS COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Use of Estimates

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

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The Foundation's Federal informational tax returns for the years ended June 30, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2015, 2016, 2017, and 2018, 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. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2019, 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.

Functional Allocation of 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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted).

The Foundation has implemented the provisions of this ASU as of June 30, 2019, because management believes it improves the Foundation's financial reporting.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

New Accounting Pronouncements

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 fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although the full impact of this Update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the Update apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

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, 2019, 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, 2019:

Scholarships and programs for the College	\$ 819,611
Student assistance	3,761
Title V Grant	1,521,963
Others	557,283
Total Donor-Restricted Net Assets	<u>\$ 2,902,618</u>

CYPRESS COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2019:

Scholarships and programs for the College	\$ 635,201
Osher scholarships	266,563
Total Donor-Restricted Net Assets	\$ 901,764

NOTE 4 - DONATED SERVICES

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.

NOTE 5 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2019:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Mutual funds	\$ 2,734,349	\$ 2,860,828	\$ 126,479
Certificates of Deposit	186,757	190,968	4,211
Beneficial interest in assets held by the Foundation for California Community Colleges	266,563	266,563	-
	\$ 3,187,669	\$ 3,318,359	\$ 130,690

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

Unrealized loss on investments, net	\$ 130,690
Interest and dividends	69,789
Beneficial interest in assets held by the Foundation for California Community Colleges	39,268
Total Investment Income	239,747
Investment expenses	(17,087)
Total Investment Income, Net of Expenses	\$ 222,660

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - 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, 2019, the ending balance of the Osher Endowment Scholarship was \$266,563. 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 7 - INVESTMENT SECURITIES

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**CYPRESS COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

Assets	Level 1
Mutual funds	\$ 2,860,828
Certificates of Deposit	190,968
Beneficial interest in assets held by the Foundation for California Community Colleges	266,563
Total	\$ 3,318,359

NOTE 8 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, represent amounts due to the Foundation as follows:

Title V drawdown	\$ 21,151
Investment management fee	10,730
Other accounts receivable	12,000
Total	\$ 43,881

NOTE 9 - AMOUNTS HELD FOR OTHERS

The Foundation acts as a fiscal agent for departments, organizations, and groups of Cypress College. Accordingly, at June 30, 2019, \$321,094 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 10 - 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 percent 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - 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, 2019, the Foundation owed the District \$60,215 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 2019 amounted to \$8,500 and have been reflected in the financial statements as donated facilities.

NOTE 12 - 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, 2019 and 2018, 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.

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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 7.75 percent. The target distribution rate of 4.00 percent 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, 2019, there were no funds with original gift values that exceeded their fair values.

Changes in endowment net assets as of June 30, 2019, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 2,455,917
Contributions	33,251
Investment income	(2,942)
Net appreciation	20,526
Amounts appropriated for expenditures	<u>(117,162)</u>
Endowment net assets, end of year	<u>\$ 2,389,590</u>

NOTE 13 - UNREALIZED GAINS AND LOSSES DISTRIBUTION

In 2018-2019, the Foundation posted unrealized losses and dividends distributions for their endowed funds to unrealized gain/loss holding accounts in matching funds without donor restrictions in the amount of \$189,486. As the accounts in funds without donor restrictions gain credit balances, the holding balance is transferred back to funds with donor restrictions. Their use of the holding accounts is to prevent the funds with donor restrictions from spending unrealized monies.

**CYPRESS COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNTING PRINCIPLE

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018, net assets.

The effect on the Foundation's statement of activities as of June 30, 2018, is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, End of the Year			
Unrestricted	\$ (242,510)	\$ 242,510	\$ -
Temporarily restricted net assets	2,685,145	(2,685,145)	-
Permanently restricted net assets	869,974	(869,974)	-
Net assets without donor restrictions	-	(242,510)	(242,510)
Net assets with donor restrictions	-	3,555,119	3,555,119

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to year-end, the Foundation has been negatively 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.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Cypress College Foundation
Cypress, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cypress College Foundation (the Foundation) (a California nonprofit corporation) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprised the Foundation's basic financial statements, and have issued our report thereon dated June 2, 2020.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cypress College Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cypress College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Cypress College Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cypress College Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated June 2, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cypress College Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cypress College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
June 2, 2020