

**FOUNDATION FOR  
CALIFORNIA COMMUNITY  
COLLEGES**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
JUNE 30, 2022 AND 2021**

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Foundation for California Community Colleges  
Sacramento, California**

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Foundation for California Community Colleges (Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, 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, and 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 the Foundation's internal control over financial reporting and compliance.

*Gilbert CPAs*

**GILBERT CPAs  
Sacramento, California**

**November 8, 2022**

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 57,666,013	\$ 28,497,508
Cash held on behalf of others	68,001,075	74,895,256
Accounts receivable, net	23,766,273	12,242,982
Current portion of grants receivable	5,000,857	4,466,537
Prepaid expenses and other assets	1,935,714	3,220,895
Total current assets	<u>156,369,932</u>	<u>123,323,178</u>
<b>NONCURRENT ASSETS:</b>		
Investments	58,203,851	70,269,479
Investments held on behalf of others	35,210,348	42,007,069
Grants receivable	12,890,422	15,630,000
Property and equipment, net	536,193	1,313,533
Deposits	39,770	39,770
Total noncurrent assets	<u>106,880,584</u>	<u>129,259,851</u>
<b>TOTAL ASSETS</b>	<u>\$ 263,250,516</u>	<u>\$ 252,583,029</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 6,057,708	\$ 3,855,232
Accrued expenses	7,569,312	4,485,927
Scholarships payable	2,742,831	2,185,200
Grants payable	602,051	392,881
Current portion of deferred revenue	28,023,130	8,437,476
Funds held on behalf of others	68,001,075	74,895,256
Total current liabilities	<u>112,996,107</u>	<u>94,251,972</u>
<b>NONCURRENT LIABILITIES:</b>		
Deferred revenue	6,795,256	4,010,535
Investments held on behalf of others	35,210,348	42,007,069
Total noncurrent liabilities	<u>42,005,604</u>	<u>46,017,604</u>
<b>TOTAL LIABILITIES</b>	<u>155,001,711</u>	<u>140,269,576</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Board Designated Innovation Fund (see Note 7)	11,616,378	1,300,002
Undesignated	11,682,800	11,116,443
With donor restrictions	84,949,627	99,897,008
Total net assets	<u>108,248,805</u>	<u>112,313,453</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 263,250,516</u>	<u>\$ 252,583,029</u>

The accompanying notes are an integral part of these financial statements.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>REVENUES, SUPPORT AND INCOME:</b>			
Contracts and fees for service	\$ 91,177,394		\$ 91,177,394
Philanthropic contributions	113,965	\$ 12,409,850	12,523,815
Government grants		5,751,399	5,751,399
Investment income (loss)	(175,312)	(8,956,714)	(9,132,026)
Net assets released from restrictions	<u>24,151,916</u>	<u>(24,151,916)</u>	<u></u>
Total revenues	<u>115,267,963</u>	<u>(14,947,381)</u>	<u>100,320,582</u>
<b>EXPENSES:</b>			
Program services:			
Equity and Community Impact	27,304,324		27,304,324
System Support and Services	22,026,634		22,026,634
Student Success	20,107,521		20,107,521
Workforce Development	<u>18,036,241</u>	<u></u>	<u>18,036,241</u>
Total program services	<u>87,474,720</u>	<u></u>	<u>87,474,720</u>
Supporting services:			
General and administrative	16,481,938		16,481,938
Fundraising	<u>428,572</u>	<u></u>	<u>428,572</u>
Total supporting services	<u>16,910,510</u>	<u></u>	<u>16,910,510</u>
Total expenses	<u>104,385,230</u>	<u></u>	<u>104,385,230</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	10,882,733	(14,947,381)	(4,064,648)
<b>NET ASSETS, Beginning of Year</b>	<u>12,416,445</u>	<u>99,897,008</u>	<u>112,313,453</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 23,299,178</u>	<u>\$ 84,949,627</u>	<u>\$ 108,248,805</u>

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>REVENUES, SUPPORT AND INCOME:</b>			
Contracts and fees for service	\$ 55,364,012		\$ 55,364,012
Philanthropic contributions	85,298	\$ 39,615,606	39,700,904
Government grants		4,777,269	4,777,269
Investment income	73	15,192,566	15,192,639
Net assets released from restrictions	<u>22,837,286</u>	<u>(22,837,286)</u>	
Total revenues	<u>78,286,669</u>	<u>36,748,155</u>	<u>115,034,824</u>
<b>EXPENSES:</b>			
Program services:			
Equity and Community Impact	12,232,699		12,232,699
System Support and Services	17,531,973		17,531,973
Student Success	19,032,271		19,032,271
Workforce Development	<u>15,363,181</u>		<u>15,363,181</u>
Total program services	<u>64,160,124</u>		<u>64,160,124</u>
Supporting services:			
General and administrative	11,192,456		11,192,456
Fundraising	<u>315,126</u>		<u>315,126</u>
Total supporting services	<u>11,507,582</u>		<u>11,507,582</u>
Total expenses	<u>75,667,706</u>		<u>75,667,706</u>
<b>INCREASE IN NET ASSETS</b>	2,618,963	36,748,155	39,367,118
<b>NET ASSETS, Beginning of Year</b>	<u>9,797,482</u>	<u>63,148,853</u>	<u>72,946,335</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 12,416,445</u>	<u>\$ 99,897,008</u>	<u>\$ 112,313,453</u>



# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		
	Equity and Community Impact	System Support and Services	Student Success	Workforce Development	General and administrative	Fundraising	Total
Salaries and benefits	\$ 19,756,242	\$ 2,915,984	\$ 11,389,628	\$ 3,558,108	\$ 10,786,119	\$ 427,748	\$ 48,833,829
Professional services	1,784,109	2,083,757	6,075,724	1,541,795	1,672,428		13,157,813
Funds granted to program partners	381,535	5,150,414	3,993	3,979,882			9,515,824
Work experience wages and expenses	28,334	14,566	42,990	8,551,037	20,349		8,657,276
Equipment and supplies	927,395	1,620,258	2,161,505	139,461	1,461,401		6,310,020
Cost of goods sold		4,416,434					4,416,434
Office expenses	2,754,423	135,780	97,140	52,447	731,902		3,771,692
Telecommunications	766,302	2,012,619	82,382	21,955	42,181		2,925,439
Scholarships & awards	6,600	2,785,631			40,030		2,832,261
Occupancy	578,158	454,956	64,857	121,753	859,492		2,079,216
Training & conferences	176,923	152,231	93,830	34,087	131,453		588,524
Travel	117,492	131,720	95,472	35,716	123,403		503,803
Depreciation expense	26,811	152,284			282,273		461,368
Gain/(loss) on fixed assets					331,731		331,731
Total expenses	<u>\$ 27,304,324</u>	<u>\$ 22,026,634</u>	<u>\$ 20,107,521</u>	<u>\$ 18,036,241</u>	<u>\$ 16,482,762</u>	<u>\$ 427,748</u>	<u>\$ 104,385,230</u>

The accompanying notes are an integral part of these financial statements.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services		
	Equity and Community Impact	System Support and Services	Student Success	Workforce Development	General and administrative	Fundraising	Total
Salaries and benefits	\$ 8,813,674	\$ 2,790,517	\$ 9,742,187	\$ 3,824,216	\$ 7,786,223	\$ 315,126	\$ 33,271,943
Professional services	758,323	1,086,699	6,520,243	1,137,763	1,326,846		10,829,874
Funds granted to program partners	365,785	4,636,000	301,260	2,547,241			7,850,286
Work experience wages and expenses	57,173	48,982	34,015	7,460,912	30,231		7,631,313
Equipment and supplies	607,035	1,348,766	2,220,010	150,440	720,093		5,046,344
Cost of goods sold		2,725,850					2,725,850
Office expenses	593,172	69,267	40,469	18,119	284,661		1,005,688
Telecommunications	371,094	1,412,789	74,643	35,283	43,878		1,937,687
Scholarships & awards		2,673,060			59,750		2,732,810
Occupancy	539,675	373,749	76,565	150,573	573,631		1,714,193
Training & conferences	55,729	157,869	22,264	32,425	66,185		334,472
Travel	41,269	53,880	615	6,209	7,669		109,642
Depreciation expense	29,770	154,545			293,289		477,604
Total expenses	<u>\$ 12,232,699</u>	<u>\$ 17,531,973</u>	<u>\$ 19,032,271</u>	<u>\$ 15,363,181</u>	<u>\$ 11,192,456</u>	<u>\$ 315,126</u>	<u>\$ 75,667,706</u>

The accompanying notes are an integral part of these financial statements.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (4,064,648)	\$ 39,367,118
Reconciliation to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	10,848,288	(14,179,989)
Depreciation	461,368	477,604
Loss on disposal of property and equipment	331,732	171
Donor restricted contributions to be held in perpetuity	(1,000)	(75)
Changes in:		
Accounts receivable, net	(11,523,291)	(732,631)
Grants receivable	2,205,258	(17,908,460)
Prepaid expenses and other assets	1,285,181	(1,618,485)
Deposits		(3,460)
Accounts payable	2,202,476	1,818,665
Accrued expenses	3,083,385	1,472,830
Scholarships payable	557,631	(88,400)
Grants payable	209,170	(231,935)
Deferred revenue	22,370,375	1,344,141
Funds held on behalf of others	<u>(6,894,181)</u>	<u>74,845,137</u>
Net cash provided by operating activities	<u>21,071,744</u>	<u>84,562,231</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,708,060)	(2,312,656)
Proceeds from sale of investments	2,925,400	2,989,329
Purchases of property and equipment	<u>(15,760)</u>	
Net cash provided by investing activities	<u>1,201,580</u>	<u>676,673</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Donor restricted contributions to be held in perpetuity	<u>1,000</u>	<u>75</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22,274,324</b>	<b>85,238,979</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u><b>103,392,764</b></u>	<u><b>18,153,785</b></u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u><b>\$ 125,667,088</b></u></u>	<u><u><b>\$ 103,392,764</b></u></u>

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Foundation for California Community Colleges (Foundation) is a statewide nonprofit supporting the California community college system. Incorporated in 1998, the Foundation serves as the official foundation to the California Community Colleges' Board of Governors and the system-wide Chancellor's Office and provides effective services and innovative solutions for the largest higher education system in the nation. The Foundation facilitates collaboration, accelerates innovation, and increases system-wide resources through a variety of ways, including entrepreneurial programs, grants and contracts, and philanthropy.

The Foundation's mission is to benefit, support, and enhance the missions of the California community college system. Foundation programs reach all 116 California community colleges and 73 districts, and are designed to benefit students, colleges, college foundations, and the system as a whole.

**Basis of accounting and financial statement presentation** – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**Revenue recognition** – The Foundation generates revenue through contracts, fees for service, grants, and contributions. Revenues fund a variety of programs and services that support key California community college initiatives such as student success, workforce development, equity, and community impact. Refer to Note 6 for accounting policies and additional details regarding revenues from contracts with customers.

The Foundation receives contributions from private foundations, government organizations, corporations, and individuals. All contributions are considered available for unrestricted use unless specifically restricted by donors for use in future periods or for specific purposes. When a restriction expires (generally as payments are made to fulfill the grantor-imposed restrictions), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Conditional contributions - those with a measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been satisfied. Restricted contributions that are initially classified as conditional, due to a qualifying barrier, when restrictions and conditions are met in the same reporting period are reported as revenue within *net assets without donor restrictions*.

Conditional contributions, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. The Foundation receives certain government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional contributions subject to qualifying expenditure requirements were \$21,152,941 and \$8,031,796 at June 30, 2022 and 2021, respectively, and will be recognized as revenue as the conditions are met.

**Cash and cash equivalents** – For financial statement purposes, the Foundation considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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The Foundation minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Foundation's deposits held with financial institutions in excess of federal depository insurance limits were \$174,368,773 and \$361,094,655 as of June 30, 2022 and 2021, respectively. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

**Cash held on behalf of others** – During 2021, the Foundation entered into an agreement with a department of the state in which the Foundation furnishes payments to certain recipients on behalf of a state program. To facilitate the program disbursements, the Foundation holds cash on behalf of the state. The balance of these funds is included as cash held for others and as a liability in the Foundation's statements of financial position. Bank balances held related to this agreement as of June 30, 2022 and 2021 were \$68,091,777 and \$74,883,806, respectively.

**Accounts receivable** are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts at June 30, 2022 was \$300,000. Management determined that no allowance was necessary at June 30, 2021. Accounts receivable includes amounts owed from government and fee for service contracts.

**Grants receivable** consist of unconditional promises to give from private foundation grants. Long-term grants receivable totaling \$12,890,422 and \$15,630,000 at June 30, 2022 and 2021, respectively, are expected to be collected by July 2024. No discount was applied to long-term grants receivable as it was considered immaterial.

**Investments** are stated at fair value.

**Investments held on behalf of others** – The Foundation holds investments on behalf of various California community colleges for the purpose of generating investment income to fund scholarships for their students. These investments are co-invested with funds held by the Foundation and remain net assets held in perpetuity of the Colleges. Investments held on behalf of California community colleges totaled \$30,618,073 and \$37,360,325 at June 30, 2022 and 2021, respectively.

In August 2015, the Foundation entered into an agreement with the Board of Governors of the California community colleges Chancellor's Office to hold and take over the administration of the Real Estate Education Endowment, an endowment fund created for the purpose of providing scholarships to California community college students pursuing education in the field of real estate. The Real Estate Education Endowment investments are co-invested with the funds held by the Foundation and remain the assets of the Board of Governors of the California community colleges Chancellor's Office. Investments held by the Foundation for the Real Estate Education Endowment totaled \$4,592,275 and \$4,646,744 at June 30, 2022 and 2021, respectively.

**Property and equipment** is stated at cost. The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from three to seven years. Other costs associated with development projects are expensed when incurred.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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**Income taxes** – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2018.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on the following basis:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Work experience wages and expenses	Time and effort
Occupancy	Square footage
Telecommunications	Number of devices and usage report

All other expenses are recorded on a direct cost basis.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- |                |                                                                                                                             |
|----------------|-----------------------------------------------------------------------------------------------------------------------------|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly.                        |
| Level 3 Inputs | Unobservable inputs for the asset or liability.                                                                             |

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

**New accounting pronouncement** – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2023. The Foundation is currently evaluating the impact this pronouncement will have on the financial statements.

**Reclassification** – Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation.

**Subsequent events** have been evaluated for recognition and disclosure through November 8, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that require recognition or disclosure in the financial statements.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available for general expenditure, within one year of the statements of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 57,666,013	\$ 28,497,508
Accounts receivable	24,766,273	12,242,982
Grants receivable	17,891,279	20,096,537
Investments	<u>58,203,851</u>	<u>70,269,479</u>
Total financial assets	157,527,416	131,106,506
Less amounts unavailable for general expenditures within one year, due to:		
Board designation (see Note 7)	(11,616,378)	(1,300,002)
Restrictions by donors (see Note 7)	<u>(84,949,627)</u>	<u>(99,897,008)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 60,961,411</u>	<u>\$ 29,909,496</u>

The Foundation has certain donor-restricted financial assets which are limited in use due to restrictions by donors. Accordingly, these financial assets have been excluded in the quantitative information above for financial assets to meet general expenditures within one year. The Foundation has two donor-restricted investments which consist of the California Community College Scholarship Endowment and the Nursing Education Investment Fund. Income from the donor-restricted investments is restricted for specific purposes and, therefore, is only available to meet program-specific expenditures within one year. As described in Note 7, the California Community College Scholarship Endowment has a donor-imposed spending rate, which is used to fund student scholarships. The Nursing Education Investment Fund has a donor-imposed grant distribution requirement, which funds enhancements to Nursing Education Programs throughout the California community college system.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

As part of the Foundation's liquidity management strategy, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. Additionally, the Foundation invests excess cash in short-term highly liquid investments and money market accounts. As more fully described in Note 5, the Foundation has a committed line of available credit in the amount of \$4.5 million, which can be drawn upon to help manage unanticipated liquidity needs.

### 3. INVESTMENTS

The Foundation's investments and investments held on behalf of others are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Foundation's investments consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,168,326	\$ 4,380,248
Common stocks:		
US large cap		10,187,346
Mutual funds:		
International equity	18,538,483	23,395,089
Fixed income	16,829,990	18,235,285
US large cap equity	14,398,988	7,792,324
US mid cap equity	3,589,807	4,179,374
US small cap equity	<u>1,678,257</u>	<u>2,099,813</u>
Total	<u>\$ 58,203,851</u>	<u>\$ 70,269,479</u>

Investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of management fees	\$ 1,716,262	\$ 1,012,650
Net realized and unrealized gain (loss)	<u>(10,848,288)</u>	<u>14,179,989</u>
Total	<u>\$ (9,132,026)</u>	<u>\$ 15,192,639</u>

Investments held on behalf of others consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,780,786	\$ 2,004,403
Common stocks:		
US large cap		6,211,142
Mutual funds:		
International equity	11,267,977	14,234,515
Fixed income	10,222,543	11,003,394
US large cap equity	8,744,303	4,723,330
US mid cap equity	2,179,963	2,552,870
US small cap equity	<u>1,014,776</u>	<u>1,277,415</u>
Total	<u>\$ 35,210,348</u>	<u>\$ 42,007,069</u>



# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 1,547,478	\$ 1,912,215
Tenant improvements	309,245	524,850
Equipment	396,779	426,103
Total	<u>2,253,502</u>	<u>2,863,168</u>
Less accumulated depreciation	<u>(1,717,309)</u>	<u>(1,549,635)</u>
Property and equipment, net	<u>\$ 536,193</u>	<u>\$ 1,313,533</u>

### 5. LINE OF CREDIT

The Foundation has a brokerage account line of credit agreement with JP Morgan with a limit of \$4.5 million. Interest on borrowings varies based on the balance outstanding and the bank's broker call rates. Borrowings are collateralized by certain investments of the Foundation. As of June 30, 2022 and 2021, there was no outstanding balance on this line of credit.

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Foundation's revenue from contracts with customers consists of fees for service, co-op purchasing agreement rebates, and fees for access to online education portals which are included in contracts and fees for service.

The Foundation's fee for service contracts contain various performance obligations. Revenue is allocated among the performance obligations based on the Foundation's established pricing methodology. Revenues from co-op purchasing agreement rebates are recognized as they are received from corporate partners. Fees for access to online education portals are recognized using a straight-line basis over a 12-month period.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

The balances of receivables and contract liabilities from contracts with customers are as follows as of June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable <sup>(a)</sup>	<u>\$ 23,766,273</u>	<u>\$ 12,225,966</u>	<u>\$ 11,509,676</u>
Contract liabilities:			
Deferred revenue	<u>\$ 31,841,664</u>	<u>\$ 12,347,322</u>	<u>\$ 10,999,091</u>

<sup>(a)</sup> Accounts receivable consists of general accounts receivable and contracts receivable.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 7. NET ASSETS

The Board Designated Innovation Fund was approved by the Board in June 2021. The purpose of the Innovation Fund is to advance the mission of the Foundation by providing flexible resources for strategic investment in innovative programs, services, and organizational infrastructure in alignment with the Foundation's Double Impact Strategic Plan goal to serve as a hub for transformative innovation in the education ecosystem.

Changes in the Innovation Fund are as follows:

	<u>2022</u>	<u>2021</u>
Innovation Fund balance, beginning of year	\$ 1,300,002	
Transfers from undesignated funds	10,574,734	\$ 1,300,000
Investment gain:		
Investment income	9,960	2
Realized/unrealized gain (loss)	(185,272)	
Total investment gain (loss)	(175,312)	2
Approved expenditures	(83,046)	
Innovation Fund balance, end of year	<u>\$ 11,616,378</u>	<u>\$ 1,300,002</u>

Net assets with donor restrictions are to be used as follows:

	<u>2022</u>	<u>2021</u>
Time and purpose restriction:		
System Support	\$ 15,456,519	\$ 20,730,688
Nursing Education Investment Fund	13,347,507	16,201,806
Student Success	5,414,214	6,175,766
Workforce Development	3,306,191	4,300,467
Equity and Community Impact	6,557,654	2,063,240
California Community Colleges Scholarship Endowment – investment income	471,200	10,029,697
Restricted into perpetuity:		
California Community Colleges Scholarship Endowment	<u>40,396,342</u>	<u>40,395,344</u>
Total	<u>\$ 84,949,627</u>	<u>\$ 99,897,008</u>

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted funds received from the Bernard Osher Foundation and other private grantors to fund student scholarships through the California Community Colleges Scholarship Endowment.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies as net assets with donor restrictions, the original value of all gifts donated to the permanent endowment. All accumulated unrealized appreciation and depreciation of endowment investments are recorded to net assets with donor restrictions to the extent that the original value of donated principal has not decreased. Accumulated unrealized depreciation of endowment investments is recorded as a decrease to net assets with perpetual donor restrictions to

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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the extent that there are no offsetting accumulated endowment earnings in net assets with donor restrictions. Accumulated unrealized appreciation of endowment investments is recorded as an increase to net assets with perpetual donor restrictions to the extent that the principal has been reduced through previous unrealized losses or funding endowment expenditures.

The California Community Colleges Scholarship Endowment funds are to be invested in perpetuity and interest and dividends are to be used per donor intent. The endowment investment policy, approved by the Board of Directors, emphasizes preservation of capital as its primary objective and growth and income as secondary objectives. The principal of the endowment fund may be used to fund expenditures if earnings are not sufficient to meet payout requirements, however, prior consent from the Bernard Osher Foundation is mandatory.

Changes in endowment net assets are as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 50,425,041	\$ 41,132,763
Contributions	1,000	75
Investment gain:		
Investment income (loss)	1,716,260	12,489,985
Realized/unrealized gain (loss)	<u>(8,553,528)</u>	<u>(1,012,582)</u>
Total investment gain (loss)	(6,837,268)	11,477,403
Approved endowment expenditures	<u>(2,721,231)</u>	<u>(2,185,200)</u>
Endowment net assets, end of year	<u>\$ 40,867,542</u>	<u>\$ 50,425,041</u>

Scholarship awards payable to California Community College students are funded through the endowment and through investments held on behalf of various California Community Colleges. Scholarship awards payable are included in the statements of financial position liability balances as follows:

	<u>2022</u>	<u>2021</u>
Scholarships payable	\$ 2,742,831	\$ 2,185,200
Investments held on behalf of others	<u>1,859,869</u>	<u>1,524,000</u>
Total	<u>\$ 4,602,700</u>	<u>\$ 3,709,200</u>

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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### 8. OPERATING LEASE OBLIGATION

The Foundation leases office space, operating space for their Smog Referee Program, and equipment under operating leases expiring in various years through 2025. Total expenses under the operating leases were \$2,079,216 and \$2,098,309 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

<b>Year ending June 30:</b>	
2023	\$ 1,494,038
2024	1,042,891
2025	<u>438,342</u>
Total	<u>\$ 2,975,271</u>

### 9. DEFINED BENEFIT PENSION PLAN

#### Plan Description

Plan name: California Public Employees' Retirement System (CalPERS)  
Plan's EIN: 94-6207465  
Plan number: 5260

All full-time employees are covered under a defined benefit pension plan maintained by an agency of the State of California. The Foundation's employees are members of the California Public Employees' Retirement System (CalPERS).

The CalPERS Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Foundation participates in the Miscellaneous 3% at 60 Risk Pool, for employees hired on or before December 31, 2012, and the Miscellaneous 2% at 62 Risk Pool, for employee hired on or after January 1, 2013, both of which are part of the Public Agency portion of CalPERS, an agent multiemployer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Multi-employer plans differ from single-employer plans in that much of the fiduciary responsibilities and risks under a single-employer plan would lie with the Foundation. Under this multi-employer plan, the fiduciary responsibilities and risks lie with CalPERS. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The Plan selects optional benefit provisions by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, California 95811.

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The CalPERS Board of Administration approved structural changes to the risk pools at their May 31, 2014 meeting, which combined all miscellaneous groups into one risk pool (Miscellaneous Risk Pool) effective with the 2013 valuations. The funded status of the Miscellaneous Risk Pool as of June 30, 2020 (most recent available annual report) was 71.5%, defined as the market value of assets (\$18,365,305,590 at June 30, 2020) divided by the entry age normal accrued liability (\$25,696,424,194 at June 30, 2020). The funded status of the Foundation's 3% at 60 and 2% at 62 plans reported by CalPERS as of June 30, 2020 (most recent available annual report) are as follows:

	<b><u>3% at 60 Risk Pool</u></b>	<b><u>2% at 62 Risk Pool</u></b>
Entry age normal accrued liability	\$ 30,185,059	\$ 7,463,584
Market value of assets	24,469,634	6,753,747
Funded status	81.1%	90.5%

### Funding Policy

Active plan members of the Miscellaneous 3% at 60 Risk Pool and Miscellaneous 2% at 62 Risk Pool are required to contribute 8% and 6.75% of their annual covered salary, respectively. In addition, the Foundation is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates of the Miscellaneous 3% at 60 Risk Pool for the fiscal years ended June 30, 2022, 2021 and 2020 were 14.54%, 14.73%, and 13.69%, respectively, of annual covered payroll. The required employer contribution rates of the Miscellaneous 2% at 62 Risk Pool for the fiscal years ended June 30, 2022, 2021 and 2020 were 7.59%, 7.73%, and 6.99%, respectively, of annual covered payroll. The Foundation's contributions to CalPERS for the Miscellaneous 3% at 60 Risk Pool for the years ended June 30, 2022, 2021 and 2020 were \$1,053,072, \$970,087, and \$913,669, respectively. The Foundation's contributions to the Miscellaneous Risk Pool for 2022 and 2021 represent less than 5% of the Plan's total contributions for the plan year ended June 30, 2020 (most recent available annual report). The Foundation's contributions to CalPERS for the Miscellaneous 2% at 62 Risk Plan for the years ended June 30, 2022, 2021 and 2020 were \$2,142,032, \$1,345,326, and \$1,268,730, respectively. Future adopted contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2023 are \$438,616 plus 14.53% of covered annual payroll. Contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2024 are estimated to be \$485,000 plus 14.50% of covered annual payroll. Future adopted contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2023 are \$55,563 plus 7.47% of covered annual payroll. Contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2024 are estimated to be \$61,000 plus 7.5% of covered annual payroll.

## 10. DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS

The Foundation offers a defined contribution plan (the "Plan") to employees in accordance with Internal Revenue Code Section 403(b). The Plan is available to all full-time employees of the Foundation. This Plan allows for employee deferrals, employer matching, and elective employer contributions. Participants are immediately 100% vested in all contributions to the Plan. The Foundation also has an IRS Section 457 deferred salary plan for certain employees. The Foundation made no contributions to these plans in June 30, 2022 and 2021.

## **SUPPLEMENTAL SCHEDULES**

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

	<u>Assistance Listing Number</u>	<u>Pass Through Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>National Science Foundation:</b>				
Direct programs:				
EAGER Cluster - Implementing Active Learning Strategies	47.076	DUE-1645083		\$ 11,270
<b>U.S. Department of Education:</b>				
Passed through State of California, Department of Rehabilitation: State Vocational Rehabilitation Services Program	84.126A	31391	\$ 932,150	2,555,645
<b>U.S. Department of Agriculture:</b>				
Passed through State of California, Department of Social Services:				
CalFresh Outreach - CalFresh Benefits	10.561	18-7015		16,515
CalFresh Outreach - CalFresh Benefits	10.561	A22-0055-S006		51,186
Fresh Success Program	10.561	19-3041	454,071	641,339
Fresh Success Program	10.561	21-3059	<u>1,059,969</u>	<u>1,512,453</u>
SNAP Cluster Total			1,514,040	2,221,493
<b>CA Youth Opioid Response</b>				
Direct program:				
Youth Opioid Response	93.788	20-10328		<u>164,752</u>
<b>Total expenditures of federal awards</b>			<u>\$ 2,446,190</u>	<u>\$ 4,953,160</u>

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Foundation for California Community Colleges (Foundation) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. INDIRECT COST RATE

The Foundation has elected to use a negotiated federal indirect cost rate instead of the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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***

**Independent Auditor's Report**

**Board of Directors  
Foundation for California Community Colleges  
Sacramento, 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 Foundation for California Community Colleges (Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

### **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 the 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 the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, slightly stylized font.

**GILBERT CPAs**  
**Sacramento, California**

**November 8, 2022**

## **REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

### **Independent Auditor's Report**

**Board of Directors  
Foundation for California Community Colleges  
Sacramento, California**

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited Foundation for California Community Colleges' (Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2022. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years then ended June 30, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gilbert CPAs*

**GILBERT CPAs**  
**Sacramento, California**

**November 8, 2022**

# FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

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### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

Name of Federal Program or Cluster

Assistance Listing Number

SNAP Cluster

10.561

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

# **FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022**

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### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

### **SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS**

None noted.