

**FOUNDATION FOR
CALIFORNIA COMMUNITY
COLLEGES**

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

**YEARS ENDED
JUNE 30, 2024 AND 2023**

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Foundation for California Community Colleges (FoundationCCC), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 FoundationCCC as of June 30, 2024 and 2023, 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. 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 FoundationCCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 FoundationCCC'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 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, 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 FoundationCCC'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 FoundationCCC'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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 22, 2024

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS:		
Cash and cash equivalents	\$ 91,507,163	\$ 100,652,720
Cash held on behalf of others	115,060,293	69,992,991
Accounts receivable	33,117,325	26,311,872
Less allowance for credit losses	(750,000)	(500,000)
Accounts receivable, net	32,367,325	25,811,872
Current portion of grants receivable	11,569,544	5,875,200
Prepaid expenses and other assets	2,899,913	2,822,344
Total current assets	253,404,238	205,155,127
NONCURRENT ASSETS:		
Investments	97,017,084	73,043,375
Investments held on behalf of others	41,487,364	38,719,934
Grants receivable	2,706,102	7,352,951
Property and equipment, net	202,701	126,641
Deposits	39,770	39,770
Right-of-use assets, operating lease	1,674,921	1,532,831
Total noncurrent assets	143,127,942	120,815,502
TOTAL ASSETS	\$ 396,532,180	\$ 325,970,629
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,034,509	\$ 6,771,232
Accrued expenses	16,859,965	12,980,216
Scholarships payable	2,327,094	2,217,374
Grants payable	581,821	697,084
Current portion of deferred revenue	38,710,523	42,451,887
Refundable advances	2,347,096	660,867
Current portion of operating lease liability	1,209,902	1,105,719
Funds held on behalf of others	115,060,293	69,992,991
Total current liabilities	189,131,203	136,877,370
NONCURRENT LIABILITIES:		
Deferred revenue	20,681,508	24,357,816
Operating lease liability, net	469,861	426,970
Investments held on behalf of others	41,487,364	38,719,934
Total noncurrent liabilities	62,638,733	63,504,720
TOTAL LIABILITIES	251,769,936	200,382,090
NET ASSETS:		
Without donor restrictions:		
Board Designated Innovation Fund (see Note 8)	41,706,870	28,640,193
Undesignated	17,297,650	15,364,791
With donor restrictions	85,757,724	81,583,555
Total net assets	144,762,244	125,588,539
TOTAL LIABILITIES AND NET ASSETS	\$ 396,532,180	\$ 325,970,629

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, SUPPORT AND INCOME:			
Contracts and fees for service	\$ 146,135,952		\$ 146,135,952
Government grants		\$ 15,588,186	15,588,186
Investment income	7,674,167	7,156,912	14,831,079
Philanthropic contributions	79,205	13,843,102	13,922,307
Net assets released from restrictions	<u>32,414,031</u>	<u>(32,414,031)</u>	
Total revenues	<u>186,303,355</u>	<u>4,174,169</u>	<u>190,477,524</u>
EXPENSES:			
Program services:			
Workforce Development	48,090,329		48,090,329
Equity and Community Impact	34,667,265		34,667,265
Student Success	33,688,153		33,688,153
System Support and Services	<u>28,057,895</u>		<u>28,057,895</u>
Total program services	<u>144,503,642</u>		<u>144,503,642</u>
Supporting services:			
General and administrative	25,934,625		25,934,625
Fundraising	<u>865,552</u>		<u>865,552</u>
Total supporting services	<u>26,800,177</u>		<u>26,800,177</u>
Total expenses	<u>171,303,819</u>		<u>171,303,819</u>
INCREASE IN NET ASSETS	14,999,536	4,174,169	19,173,705
NET ASSETS, Beginning of Year	<u>44,004,984</u>	<u>81,583,555</u>	<u>125,588,539</u>
NET ASSETS, End of Year	<u>\$ 59,004,520</u>	<u>\$ 85,757,724</u>	<u>\$ 144,762,244</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, SUPPORT AND INCOME:			
Contracts and fees for service	\$ 136,240,997		\$ 136,240,997
Government grants		\$ 9,433,604	9,433,604
Investment income	2,857,892	5,820,538	8,678,430
Philanthropic contributions	129,469	8,805,430	8,934,899
Net assets released from restrictions	<u>27,425,644</u>	<u>(27,425,644)</u>	
Total revenues	<u>166,654,002</u>	<u>(3,366,072)</u>	<u>163,287,930</u>
EXPENSES:			
Program services:			
Workforce Development	28,328,661		28,328,661
Equity and Community Impact	42,337,021		42,337,021
Student Success	28,582,282		28,582,282
System Support and Services	<u>23,373,676</u>		<u>23,373,676</u>
Total program services	<u>122,621,640</u>		<u>122,621,640</u>
Supporting services:			
General and administrative	22,836,418		22,836,418
Fundraising	<u>490,138</u>		<u>490,138</u>
Total supporting services	<u>23,326,556</u>		<u>23,326,556</u>
Total expenses	<u>145,948,196</u>		<u>145,948,196</u>
INCREASE (DECREASE) IN NET ASSETS	20,705,806	(3,366,072)	17,339,734
NET ASSETS, Beginning of Year	<u>23,299,178</u>	<u>84,949,627</u>	<u>108,248,805</u>
NET ASSETS, End of Year	<u>\$ 44,004,984</u>	<u>\$ 81,583,555</u>	<u>\$ 125,588,539</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services		
	Workforce Development	Equity and Community Impact	Student Success	System Support and Services	General and administrative	Fundraising	Total
Salaries and benefits	\$ 6,263,750	\$ 26,860,355	\$ 19,194,227	\$ 6,254,009	\$ 19,060,708	\$ 865,552	\$ 78,498,601
Funds granted to program partners	21,193,350	2,658,091	621,625	8,665,862			33,138,928
Professional services	1,509,792	1,171,042	11,725,435	2,697,282	2,572,167		19,675,718
Work experience wages and expenses	18,207,874	31,839	58,219	28,359	49,475		18,375,766
Cost of goods sold				4,646,007			4,646,007
Equipment and supplies	288,693	1,015,794	780,965	277,217	1,767,567		4,130,236
Training and conferences	191,789	336,105	476,648	1,035,093	489,932		2,529,567
Scholarships and awards				2,489,060			2,489,060
Travel	219,526	439,725	491,860	440,390	559,791		2,151,292
Office expenses	105,115	591,145	171,483	211,148	886,910		1,965,801
Telecommunications	17,034	895,885	167,691	746,963	14,563		1,842,136
Occupancy	93,406	635,454		469,505	520,549		1,718,914
Depreciation expense		31,830		97,000	12,963		141,793
Total expenses	<u>\$ 48,090,329</u>	<u>\$ 34,667,265</u>	<u>\$ 33,688,153</u>	<u>\$ 28,057,895</u>	<u>\$ 25,934,625</u>	<u>\$ 865,552</u>	<u>\$ 171,303,819</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, 2023

	Program Services				Supporting Services		
	Workforce Development	Equity and Community Impact	Student Success	System Support and Services	General and administrative	Fundraising	Total
Salaries and benefits	\$ 3,675,616	\$ 32,788,032	\$ 13,926,278	\$ 4,427,361	\$ 16,265,446	\$ 490,138	\$ 71,572,871
Funds granted to program partners	7,961,391	3,744,978	1,392,621	6,773,897			19,872,887
Professional services	1,844,851	1,647,783	10,297,164	1,939,495	2,509,833		18,239,126
Work experience wages and expenses	14,302,845	9,993	72,391	27,703	37,918		14,450,850
Cost of goods sold				3,578,687			3,578,687
Equipment and supplies	175,106	1,285,078	2,289,092	1,267,702	1,500,455		6,517,433
Training and conferences	107,505	269,992	137,889	622,708	501,065		1,639,159
Scholarships and awards				2,487,766			2,487,766
Travel	84,700	313,058	234,857	307,424	394,879		1,334,918
Office expenses	43,347	770,401	123,937	91,020	760,450		1,789,155
Telecommunications	18,510	861,863	108,053	1,234,682	39,339		2,262,447
Occupancy	114,790	619,032		469,228	593,839		1,796,889
Depreciation expense		26,811		146,003	233,194		406,008
Total expenses	<u>\$ 28,328,661</u>	<u>\$ 42,337,021</u>	<u>\$ 28,582,282</u>	<u>\$ 23,373,676</u>	<u>\$ 22,836,418</u>	<u>\$ 490,138</u>	<u>\$ 145,948,196</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 19,173,705	\$ 17,339,734
Reconciliation to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(8,828,261)	(6,086,128)
Depreciation	141,793	406,008
Loss on disposal of property and equipment		3,544
Reduction in right-of-use assets, operating lease	941,664	1,332,600
Donor restricted contributions to be held in perpetuity	(123,478)	(89,166)
Changes in:		
Accounts receivable	(6,555,453)	(2,045,599)
Grants receivable	(1,047,495)	4,663,128
Prepaid expenses and other assets	(77,569)	(886,630)
Accounts payable	5,263,277	713,524
Accrued expenses	3,879,749	5,410,904
Scholarships payable	109,720	(525,457)
Grants payable	(115,263)	95,033
Deferred revenue	(7,417,672)	34,968,039
Refundable advances	1,686,229	(2,315,855)
Funds held on behalf of others	45,067,302	1,991,916
Operating lease liability	(936,680)	(1,332,742)
Net cash provided by operating activities	<u>51,161,568</u>	<u>53,642,853</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(17,545,340)	(13,366,745)
Proceeds from sale of investments	2,399,892	4,613,349
Purchases of property and equipment	(217,853)	
Net cash used by investing activities	<u>(15,363,301)</u>	<u>(8,753,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donor restricted contributions to be held in perpetuity	<u>123,478</u>	<u>89,166</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,921,745	44,978,623
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>170,645,711</u>	<u>125,667,088</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 206,567,456</u></u>	<u><u>\$ 170,645,711</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use assets upon adoption of ASC 842	<u>\$</u>	<u>\$ 2,865,431</u>
Right-of-use assets acquired through operating lease liability	<u>\$ 1,083,754</u>	<u>\$</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Foundation for California Community Colleges (FoundationCCC) is the statewide nonprofit supporting the California Community Colleges, the largest and most diverse system of higher education in the nation. Established in 1998, FoundationCCC serves as an innovation hub and intermediary for transformative change at scale, with its work benefiting students, colleges, and communities. FoundationCCC focuses on increasing resources to support educational access and affordability, and economic and social mobility for Californians, through entrepreneurial programs, grants and contracts, and philanthropic dollars.

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. FoundationCCC reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Revenue recognition – FoundationCCC generates revenue through contracts, fees for service, grants, and contributions. Revenues fund over 70 programs and services across the following areas of impact: Student Success, Workforce Development, Equity, Community Impact, Climate Action, and System Support. Refer to Note 7 for accounting policies and additional details regarding revenues from contracts with customers.

FoundationCCC 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*.

FoundationCCC receives certain government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional contributions subject to such qualifying expenditure requirements were \$90,753,006 and \$47,404,512 at June 30, 2024 and 2023, respectively, and will be recognized as revenue as the conditions are met. At June 30, 2024 and 2023, FoundationCCC had \$2,347,096 and \$660,867, respectively, recorded as refundable advances.

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

FoundationCCC 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. FoundationCCC's deposits held with financial institutions in excess of federal depository insurance limits were \$173,597,209 and \$164,302,829 as of June 30, 2024 and 2023, respectively.

FoundationCCC has not experienced any losses in such accounts and management believes FoundationCCC is not exposed to any significant credit risk related to cash.

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Cash held on behalf of others – During 2021, FoundationCCC entered into an agreement with a department of the state in which FoundationCCC furnishes payments to certain recipients on behalf of a state program. To facilitate the program disbursements, FoundationCCC holds cash on behalf of the state. The balance of these funds is included as cash held for others and as a liability in FoundationCCC's statements of financial position. Bank balances held related to this agreement as of June 30, 2024 and 2023 were \$114,890,514 and \$69,851,551, respectively.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. FoundationCCC assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when it identifies specific accounts with known disputes or collectability issues. In determining the amount of the allowance for credit losses, FoundationCCC considers historical collectability based on past due status and makes judgments about creditworthiness based on ongoing credit evaluations. FoundationCCC also considers customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. The allowance for credit losses at June 30, 2024 and 2023 was \$750,000 and \$500,000, respectively. Accounts receivable includes amounts owed from government and fee for service contracts.

Change in the allowance for credit losses during the year ended June 30, 2024 were as follows:

Beginning of year	\$ 500,000
Adoption of ASU 2016-13	220,000
Bad debt expense	33,697
Write-offs	<u>(3,697)</u>
End of year	<u>\$ 750,000</u>

Grants receivable consist of unconditional promises to give from private foundation, governmental, corporate, and individual grants.

Investments are stated at fair value.

Investments held on behalf of others – FoundationCCC 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 FoundationCCC and remain net assets held in perpetuity of the colleges. Investments held on behalf of California community colleges totaled \$34,115,387 and \$31,958,686 at June 30, 2024 and 2023, respectively.

In August 2015, FoundationCCC 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 FoundationCCC and remain the assets of the Board of Governors of the California community colleges Chancellor's Office. Investments held by FoundationCCC for the Real Estate Education Endowment totaled \$7,371,977 and \$6,761,248 at June 30, 2024 and 2023, respectively.

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Property and equipment is stated at cost. FoundationCCC capitalizes all expenditures for property and equipment in excess of \$10,000. 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.

Leases – FoundationCCC determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use assets and lease liabilities in the statements of financial position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and right-of-use assets are also adjusted for prepaid or accrued rent. FoundationCCC uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, FoundationCCC has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. FoundationCCC does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income taxes – FoundationCCC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. FoundationCCC 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, FoundationCCC is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2020.

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.

New accounting pronouncement – On July 1, 2023, FoundationCCC adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses*. ASU 2016-13 requires an entity to prospectively record an allowance for credit losses for the current expected credit losses inherent in the asset over its expected life, replacing the incurred loss model that recognized losses only when they became probable and estimable. As a result of adoption of this ASU, FoundationCCC increased its allowance for credit losses by \$220,000, however there was no significant impact to the financial statements or adjustment to beginning net assets.

Reclassifications – Certain 2023 amounts have been reclassified to conform with the 2024 financial statement presentation.

Subsequent events have been evaluated for recognition and disclosure through November 22, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024 that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 91,507,163	\$ 100,652,720
Accounts receivable, net	32,367,325	25,811,872
Grants receivable	14,275,646	13,228,151
Investments	<u>97,017,084</u>	<u>73,043,375</u>
Total financial assets	235,167,218	212,736,118
Less amounts unavailable for general expenditures within one year, due to:		
Board designation (see Note 8)	(41,706,870)	(28,640,193)
Restrictions by donors (see Note 8)	<u>(85,757,724)</u>	<u>(81,583,555)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 107,702,624</u>	<u>\$ 102,512,378</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

FoundationCCC 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. FoundationCCC 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 8, 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.

As part of FoundationCCC's liquidity management strategy, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. Additionally, FoundationCCC invests excess cash in short-term highly liquid investments and money market accounts. As more fully described in Note 6, FoundationCCC 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. Additionally, Board designated funds may be redirected at the Board's election to allow for general expenditure usage.

3. INVESTMENTS

FoundationCCC'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.

FoundationCCC's investments consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,149,158	\$ 5,453,609
Mutual funds:		
US large cap equity	30,238,634	18,912,815
International equity	28,739,592	23,096,816
Fixed income	25,847,899	19,447,191
US mid cap equity	3,985,988	3,985,168
US small cap equity	<u>3,055,813</u>	<u>2,147,776</u>
Total	<u>\$ 97,017,084</u>	<u>\$ 73,043,375</u>

Investment income consists of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of management fees	\$ 6,002,818	\$ 2,592,302
Net realized and unrealized gain	<u>8,828,261</u>	<u>6,086,128</u>
Total	<u>\$ 14,831,079</u>	<u>\$ 8,678,430</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

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Investments held on behalf of others consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,061,225	\$ 2,511,477
Mutual funds:		
US large cap equity	12,954,043	10,129,934
International equity	12,353,154	12,477,071
Fixed income	11,093,880	10,414,881
US mid cap equity	1,712,338	2,020,243
US small cap equity	<u>1,312,724</u>	<u>1,166,328</u>
Total	<u>\$ 41,487,364</u>	<u>\$ 38,719,934</u>

4. GRANTS RECEIVABLE

FoundationCCC recognizes unconditional grants receivable at their estimated fair value, on a nonrecurring basis, at the time the contribution is made. No discount was applied to long-term grants receivable as it was considered immaterial.

Grants receivable are due to be collected as follows at June 30:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 11,569,544	\$ 5,875,200
In one to five years	<u>2,706,102</u>	<u>7,352,951</u>
Total	<u>\$ 14,275,646</u>	<u>\$ 13,228,151</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 1,672,947	\$ 1,547,478
Tenant improvements	367,901	305,701
Equipment	<u>426,963</u>	<u>396,779</u>
Total	2,467,811	2,249,958
Less accumulated depreciation	<u>(2,265,110)</u>	<u>(2,123,317)</u>
Property and equipment, net	<u>\$ 202,701</u>	<u>\$ 126,641</u>

6. LINE OF CREDIT

FoundationCCC 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 FoundationCCC. As of June 30, 2024 and 2023, there was no outstanding balance on this line of credit.

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

FoundationCCC'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.

FoundationCCC's fee for service contracts contain various performance obligations. Revenue is allocated among the performance obligations based on FoundationCCC'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>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable ^(a)	<u>\$ 32,367,325</u>	<u>\$ 25,811,872</u>	<u>\$ 23,766,273</u>
Contract liabilities:			
Deferred revenue	<u>\$ 59,392,031</u>	<u>\$ 66,809,703</u>	<u>\$ 31,841,664</u>

^(a) Accounts receivable consists of general accounts receivable and contracts receivable.

8. 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 FoundationCCC by providing flexible resources for strategic investment in innovative programs, services, and organizational infrastructure in alignment with FoundationCCC'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>2024</u>	<u>2023</u>
Innovation Fund balance, beginning of year	\$ 28,640,193	\$ 11,616,378
Transfers from undesignated funds	9,223,039	15,687,928
Net investment income	4,185,981	1,752,647
Approved expenditures	<u>(342,343)</u>	<u>(416,760)</u>
Innovation Fund balance, end of year	<u>\$ 41,706,870</u>	<u>\$ 28,640,193</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

	<u>2024</u>	<u>2023</u>
Time and purpose restriction:		
Nursing Education Investment Fund	\$ 14,574,371	\$ 13,589,536
System Support	9,084,906	10,777,224
Workforce Development	8,075,961	3,864,238
Equity and Community Impact	4,819,637	5,497,299
Student Success	2,868,259	4,526,871
California Community Colleges Scholarship Endowment – investment income	5,725,604	2,842,879
Restricted into perpetuity:		
California Community Colleges Scholarship Endowment	40,406,506	40,396,506
Bick Koop Endowment	107,480	89,002
Shirl and Bill Schreiber Endowment	95,000	
Total	<u>\$ 85,757,724</u>	<u>\$ 81,583,555</u>

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted funds received from the Bernard Osher Foundation, Dr. Joseph Bick and Stephanie Koop, Shirl and Bill Schreiber, and other private funders to fund student scholarships through the California Community Colleges Scholarship Endowment, the Joseph Bick and Stephanie Koop Endowed Fund, and the Shirl and Bill Schreiber 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. FoundationCCC 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 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 and the Joseph Bick and Stephanie Koop Endowed 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 distributions if earnings are not sufficient to meet payout requirements.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Changes in endowment net assets are as follows:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 43,326,263	\$ 40,867,542
Contributions	123,478	89,166
Transfers	576	4,574
Net investment income	5,193,275	4,568,296
Approved endowment expenditures	<u>(2,309,002)</u>	<u>(2,203,315)</u>
Endowment net assets, end of year	<u>\$ 46,334,590</u>	<u>\$ 43,326,263</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>2024</u>	<u>2023</u>
Scholarships payable	\$ 2,327,094	\$ 2,217,374
Investments held on behalf of others	<u>1,570,349</u>	<u>1,513,809</u>
Total	<u>\$ 3,897,443</u>	<u>\$ 3,731,183</u>

9. LEASES

FoundationCCC leases office space, operating space for their Smog Referee Program, and equipment under operating leases expiring in various years through 2027, which are included on the statements of financial position as of June 30, 2024 and 2023 as right-of-use assets of \$1,674,921 and \$1,532,831 and an operating lease liability of \$1,679,763 and \$1,532,689, respectively.

Rent expense for these leases totaled \$1,463,893 and \$1,332,600 for 2024 and 2023, respectively. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$1,363,962 and \$1,394,790 for 2024 and 2023, respectively. The weighted-average risk-free discount rate for all operating leases as of June 30, 2024 and 2023, are 6.94% and 5.39%, respectively. As of June 30, 2024 and 2023, the weighted-average remaining lease term for all operating leases were 2.54 years and 2.30 years, respectively.

Maturities of the lease liability for these leases are as follows for the years ending June 30:

2025	\$ 1,239,275
2026	474,669
2027	<u>16,548</u>
Total lease payments	1,730,492
Less: present value discount	<u>(50,729)</u>
Total operating lease liability	<u>\$ 1,679,763</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

10. 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. FoundationCCC'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. FoundationCCC 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 FoundationCCC. 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.

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, 2022 (most recent summarized information available) was 76.1%, defined as the market value of assets (\$16,768,718,642 at June 30, 2022) divided by the entry age normal accrued liability (\$22,021,735,002 at June 30, 2022). The funded status of FoundationCCC's 3% at 60 and 2% at 62 plans reported by CalPERS as of June 30, 2022 (most recent available annual report) are as follows:

	<u>3% at 60 Risk Pool</u>	<u>2% at 62 Risk Pool</u>
Entry age normal accrued liability	\$ 38,311,795	\$ 15,105,773
Market value of assets	30,538,045	13,093,547
Funded status	79.7%	86.7%

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, FoundationCCC 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

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the Miscellaneous 3% at 60 Risk Pool for the fiscal years ended June 30, 2024, 2023, and 2022 were 16.44%, 14.53%, and 14.54%, 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, 2024, 2023, and 2022 were 7.68%, 7.47%, and 7.59%, respectively, of annual covered payroll. FoundationCCC's contributions to CalPERS for the Miscellaneous 3% at 60 Risk Pool for the years ended June 30, 2024, 2023, and 2022 were \$1,559,132, \$1,229,876, and \$1,053,072, respectively. FoundationCCC's contributions to the Miscellaneous Risk Pool for 2024 and 2023 represent less than 5% of the Plan's total contributions for the plan year ended June 30, 2022 (most recent available annual report). FoundationCCC's contributions to CalPERS for the Miscellaneous 2% at 62 Risk Plan for the years ended June 30, 2024, 2023 and 2022 were \$3,540,321, \$3,230,874, and \$2,142,032, respectively. Future adopted contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2025 are \$546,972 plus 16.51% of covered annual payroll. Contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2026 are estimated to be \$617,000 plus 16.50% of covered annual payroll. Future adopted contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2025 are \$72,075 plus 7.87% of covered annual payroll. Contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2026 are estimated to be \$122,000 plus 7.9% of covered annual payroll.

11. DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS

FoundationCCC 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 FoundationCCC. This Plan allows for employee deferrals, employer matching, and elective employer contributions. Participants are immediately 100% vested in all contributions to the Plan. FoundationCCC also has an IRS Section 457 deferred salary plan for certain employees. FoundationCCC made no contributions to these plans during the years ended June 30, 2024 and 2023.