

Financial Statements
June 30, 2020

Peralta Colleges Foundation

Independent Auditor’s Report	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Independent Auditor's Report

The Board of Directors
Peralta Colleges Foundation
Oakland, California

We have audited the accompanying financial statements of Peralta Colleges Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Eide Bailly LLP

San Ramon, California

January 28, 2021

Peralta Colleges Foundation
Statement of Financial Position
June 30, 2020

Assets		
Current Assets		
Cash and cash equivalents	\$	688,118
Restricted cash and cash equivalents		537,920
Restricted receivable		40,000
Other assets		<u>2,627</u>
Total current assets		1,268,665
Noncurrent Assets		
Investments		468,353
Restricted investments		<u>1,107,531</u>
Total noncurrent assets		<u>1,575,884</u>
Total assets		<u><u>\$ 2,844,549</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$	11,754
Accrued payroll expenses		76
Payable to college funds		<u>516,473</u>
Total current liabilities		<u>528,303</u>
Total liabilities		<u>528,303</u>
Net Assets		
Without donor restrictions		630,795
With donor restrictions		<u>1,685,451</u>
Total net assets		<u>2,316,246</u>
Total liabilities and net assets		<u><u>\$ 2,844,549</u></u>

Peralta Colleges Foundation
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Individual contributions	\$ 10,431	\$ 380,857	\$ 391,288
Foundation and corporate grants	148,467	544,364	692,831
Fundraising events	72,539	-	72,539
In-kind contributions	65,107	-	65,107
Administrative fees - Other	47,364	-	47,364
Net assets released from restrictions	332,963	(332,963)	-
Total support and revenues	676,871	592,258	1,269,129
Expenses			
Program services	812,929	-	812,929
Management and general	169,109	-	169,109
Fundraising	91,687	-	91,687
Total expenses	1,073,725	-	1,073,725
Total revenues in excess of expenses	(396,854)	592,258	195,404
Other Revenues (Expenses)			
Interest and dividends	20,308	22,176	42,484
Unrealized and realized gain (loss) on investments	1,633	2,723	4,356
Total other revenues (expenses)	21,941	24,899	46,840
Change in Net Assets	(374,913)	617,157	242,244
Net Assets, Beginning of Year	1,005,708	1,068,294	2,074,002
Net Assets, End of Year	\$ 630,795	\$ 1,685,451	\$ 2,316,246

Peralta Colleges Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	Program	Management and General	Fundraising	Total Expenses
Salaries	\$ 68,285	\$ 80,555	\$ 14,223	\$ 163,063
Payroll taxes	5,590	6,593	1,164	13,347
Employee benefits	8,371	9,874	1,743	19,988
Total salaries and related expenses	82,246	97,022	17,130	196,398
Scholarships	312,626	-	-	312,626
Grants	340,159	-	-	340,159
Grant fees	37,158	-	-	37,158
Events	-	-	26,343	26,343
Marketing	-	-	1,728	1,728
Bank charges and merchant services	-	6,878	7,603	14,481
Information technology	6,000	1,800	1,165	8,965
Dues and subscription	-	272	653	925
Insurance	-	4,051	-	4,051
Meetings	-	755	-	755
Supplies	2,386	3,389	-	5,775
Miscellaneous	-	600	-	600
Occupancy	13,853	6,736	6,597	27,186
Office expense	-	833	198	1,031
Postage and printing	-	1,914	-	1,914
Professional fees	16,819	44,138	29,469	90,426
Telephone	1,682	721	801	3,204
Total expenses	<u>\$ 812,929</u>	<u>\$ 169,109</u>	<u>\$ 91,687</u>	<u>\$ 1,073,725</u>

Peralta Colleges Foundation
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 242,244
Adjustments to reconcile change in net assets to net cash provided by operations	
Contributions restricted to endowment	(31,750)
Net unrealized and realized (gain) loss on investments	(4,356)
Change in operating assets and liabilities	
(Increase) decrease in accounts receivable	(28,262)
(Increase) decrease in other assets	(1,227)
Increase (decrease) in accounts payable and accrued expenses	(1,234)
Increase (decrease) in accrued payroll expenses	76
Increase (decrease) in due to student groups	(90,633)
Net cash flows from operating activities	<u>84,858</u>
Cash Flows from Investing Activities	
Proceeds from sales of investments	102,668
Purchases of investments	(127,499)
(Increase) decrease in restricted cash	(537,920)
Net cash flows from investing activities	<u>(562,751)</u>
Net Change in Cash and Cash Equivalents	(477,893)
Cash and Cash Equivalents, Beginning of Year	<u>1,166,011</u>
Cash and Cash Equivalents, End of Year	<u>\$ 688,118</u>
Supplemental Disclosure of Noncash Amounts	
In-kind donations	<u>\$ 65,107</u>

Note 1 - Summary of Significant Accounting Policies

Foundation

The Peralta Colleges Foundation (the Foundation) was incorporated in the State of California in January 7, 1971, for the purpose of establishing financial assistance to students and to enhance the intellectual, cultural, and educational needs of the students, faculty and staff and the communities in which they work.

The Foundation supports academic excellence and success throughout the Peralta Community College District (the District) by building partnerships in the region to raise scholarship funds for committed students and financial support for the four colleges that comprise the District: Berkeley City College, College of Alameda, Laney College and Merritt College. The Foundation also provides faculty grants for classroom enrichment, provides funds for the purchase of books at the libraries of each campus, and runs a district-wide alumni engagement program. Charitable gifts to the four colleges of the District and its auxiliaries are accepted and administered by the Foundation. In addition, the Foundation stewards restricted contributions for scholarships and programs in accordance with donor instructions.

The Peralta Colleges Foundation is an independent, 501(c) (3) non-profit auxiliary to the District.

Financial Statement Presentation

The Foundation's financial statement presentation follows the recommendations prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). Under the provisions of U.S. GAAP, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days and available for current operations. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2020, the amount in excess of Federal depository insurance coverage was approximately \$230,000.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are recorded in the appropriate classification of net assets. If the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized, the income is recorded as increases in the unrestricted net assets. Investments are classified as short or long term based upon the Foundation's intent to use for current operations.

Revenue Recognition and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the appropriate classification of net assets as net assets with donor restrictions. When a restriction expires through either the passage of time or use, the assets are reclassified as assets released from restrictions in the statement of activities.

As of June 30, 2020, promises-to-give are as follows:

With donor restrictions promise to give	<u>\$ 40,000</u>
---	------------------

The Foundation considers all accounts receivable to be fully collectible as of June 30, 2020 and are all due within one year. Accordingly, no allowance for doubtful accounts are deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

During the year, office space and professional services were provided by the District on behalf of the Foundation. This donated office space, including electricity, internet, and telephone was valued at \$31,530. Additionally, the District covered professional fees at a cost of \$14,585.

Equipment and supplies donated to the Foundation had a fair market value of \$18,992 and included vehicles and cell phones that were provided to the colleges as directed by the donors.

Payable to College Funds

Payable to college funds represent funds held on behalf of others at the various colleges within the District. The Foundation records additions to the funds as liabilities and distributions as reductions in the liability balance.

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. Actual results could differ from those estimates.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private Foundation. Contributions received qualify as tax deductible gifts as provided in Section 170(b) (1) (A) (VI). The Foundation is also exempt from California State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal Form 990, Return of Foundation Exempt from Income Tax, and State Form 109, California Exempt Foundation Business Income Tax Return, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Foundation is not aware of any such examinations at this time.

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

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel costs and occupancy expenses are allocated based on time and effort. The financial statements also report categories of expenses that are attributed to program service activities or supporting services activities. These expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Note 2 - Investments

Investments consisted of the following at June 30:

Index Funds	\$ 152,128
Mutual Funds	494,927
Other Exchange Traded Funds	321,197
Equity securities - Stocks	556,140
CDs and money market accounts	51,492
	\$ 1,575,884

Investments are recorded at fair value on the statement of financial position. The following table summarizes the investment returns which are recorded in the statement of activities:

Interest and dividends	\$ 42,484
Unrealized and realized gains on investments	4,356
	46,840
Total investment income	46,840
Investment expenses	(6,319)
	\$ 40,521

Note 3 - Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

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

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgages, and loans held for sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly-structured or long-term derivative contracts, and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

Assets	<u>Level 1</u>
Index Funds	\$ 152,128
Mutual Funds	494,927
Other Exchange Traded Funds	321,197
Equity securities - Stocks	556,140
CDs and money market accounts	<u>51,492</u>
Total	<u>\$ 1,575,884</u>

Note 4 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 688,118
Investments	<u>468,353</u>
Total	<u>\$ 1,156,471</u>

The Foundation currently does not have a policy of structuring its financial assets to be available in the event of an unanticipated liquidity need.

Note 5 - Contingencies

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Foundation deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Foundation to the provisions of the grants. The Foundation's management is of the opinion that the Foundation has complied with the terms of all grants.

Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the years ended June 30:

Unspent endowment fund earnings	\$ 10,634
Scholarship fund	235,173
Community Programs	<u>87,156</u>
	<u>\$ 332,963</u>

The Foundation's endowment scholarship funds consist of various individual funds. As required by GAAP, net assets associated with endowment scholarship funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets, for which investment and interest earnings may be used for scholarship grants, consisted of the historical gift balance of the endowed funds.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, fixed income securities, and equities.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within a prudent risk framework.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that current law requires the Foundation to retain for a fund of perpetual duration in accordance with GAAP. Deficiencies of this nature are reported as unrestricted net assets. Subsequent gains that restore the fair value of the assets for the endowment funds to the required level are classified as increase in unrestricted net assets. There were no unrestricted net assets transferred to replenish fund deficiencies as of June 30, 2020.

Spending Policy

The Foundation distributes funds from income and capital appreciation of endowment assets in accordance with donor agreements.

Note 7 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through January 28, 2021, which is the date the financial statements were available to be issued.

The Foundation applied for and was granted a \$21,580 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.