

FRIENDS OF CHABOT COLLEGE

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of Chabot College
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Friends of Chabot College (the "Foundation") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

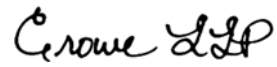
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of Chabot College as of June 30, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Sacramento, California
December 8, 2020

FRIENDS OF CHABOT COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 842,183 | \$ 119,355 |
| Investments (Note 3) | 145,062 | 134,293 |
| Receivables | 700 | 5,993 |
| Due from related party | 142,166 | - |
| Prepays | <u>1,989</u> | <u>6,100</u> |
| | | |
| Total assets | <u>\$ 1,132,100</u> | <u>\$ 265,741</u> |
| | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 48,033 | \$ 40,384 |
| Funds held on behalf of others | 135,696 | 9,002 |
| Unearned income | <u>40,000</u> | <u>2,500</u> |
| | | |
| Total liabilities | <u>223,729</u> | <u>51,886</u> |
| | | |
| NET ASSETS (Notes 4 and 5) | | |
| Without donor restrictions | 8,579 | (59,386) |
| With donor restrictions | <u>899,792</u> | <u>273,241</u> |
| | | |
| Total net assets | <u>908,371</u> | <u>213,855</u> |
| | | |
| Total liabilities and net assets | <u>\$ 1,132,100</u> | <u>\$ 265,741</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------|
| Support: | | | |
| Contributions and grants (Note 7) | \$ 213,800 | \$ 982,682 | \$ 1,196,482 |
| Fundraising events, net of costs (Note 8) | 43,424 | 6,000 | 49,424 |
| Revenue: | | | |
| Other revenues | 50,283 | - | 50,283 |
| Interest and investment income, net | 197 | 698 | 895 |
| Net assets released from restrictions (Note 4) | <u>362,829</u> | <u>(362,829)</u> | <u>-</u> |
| Total revenues and support | <u>670,533</u> | <u>626,551</u> | <u>1,297,084</u> |
| Expenses (Note 7): | | | |
| Program services | 444,037 | - | 444,037 |
| Management and general | 113,228 | - | 113,228 |
| Fundraising | <u>45,303</u> | <u>-</u> | <u>45,303</u> |
| Total expenses | <u>602,568</u> | <u>-</u> | <u>602,568</u> |
| Change in net assets | 67,965 | 626,551 | 694,516 |
| Net assets, beginning of year | <u>(59,386)</u> | <u>273,241</u> | <u>213,855</u> |
| Net assets, end of year | <u>\$ 8,579</u> | <u>\$ 899,792</u> | <u>\$ 908,371</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------|
| Support: | | | |
| Contributions and grants (Note 7) | \$ 186,203 | \$ 100,431 | \$ 286,634 |
| Fundraising events, net of costs (Note 8) | 20,312 | 1,000 | 21,312 |
| Revenue: | | | |
| Other revenues | 8,993 | - | 8,993 |
| Interest and investment income, net | 520 | 891 | 1,411 |
| Matching funds transfer (Note 5) | (40,000) | 40,000 | - |
| Net assets released from restrictions (Note 4) | <u>53,746</u> | <u>(53,746)</u> | <u>-</u> |
| Total revenues and support | <u>229,774</u> | <u>88,576</u> | <u>318,350</u> |
| Expenses (Note 7): | | | |
| Program services | 146,984 | - | 146,984 |
| Management and general | 94,149 | - | 94,149 |
| Fundraising | <u>47,509</u> | <u>-</u> | <u>47,509</u> |
| Total expenses | <u>288,642</u> | <u>-</u> | <u>288,642</u> |
| Change in net assets | (58,868) | 88,576 | 29,708 |
| Net assets, beginning of year | <u>(518)</u> | <u>184,665</u> | <u>184,147</u> |
| Net assets, end of year | <u>\$ (59,386)</u> | <u>\$ 273,241</u> | <u>\$ 213,855</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|--------------------|-------------------|
| Personnel expenses: | | | | |
| Salaries and wages | \$ 50,444 | \$ 30,855 | \$ 27,363 | \$ 108,662 |
| Payroll taxes and benefits | 25,925 | 17,134 | 13,859 | 56,918 |
| Independent contractors and professional fees | <u>-</u> | <u>54,084</u> | <u>-</u> | <u>54,084</u> |
| Total personnel expenses | 76,369 | 102,073 | 41,222 | 219,664 |
| Other expenses: | | | | |
| Grants and scholarships | 310,283 | - | - | 310,283 |
| Advertising and marketing | 11,313 | - | - | 11,313 |
| Office expense | 1,840 | 4,679 | 724 | 7,243 |
| Occupancy | 5,246 | 3,815 | 2,861 | 11,922 |
| Information technology | 2,360 | 1,387 | 100 | 3,847 |
| Conferences and meetings | 2,942 | 233 | - | 3,175 |
| Insurance | 440 | 320 | 240 | 1,000 |
| Stewardship | 32,565 | - | - | 32,565 |
| Dues and fees | <u>679</u> | <u>721</u> | <u>156</u> | <u>1,556</u> |
| Total expenses | <u>\$ 444,037</u> | <u>\$ 113,228</u> | <u>\$ 45,303</u> | <u>\$ 602,568</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|--------------------|-------------------|
| Personnel expenses: | | | | |
| Salaries and wages | \$ 51,790 | \$ 37,350 | \$ 29,270 | \$ 118,410 |
| Payroll taxes and benefits | 28,134 | 21,550 | 15,600 | 65,284 |
| Independent contractors and professional fees | <u>-</u> | <u>27,191</u> | <u>-</u> | <u>27,191</u> |
| Total personnel expenses | 79,924 | 86,091 | 44,870 | 210,885 |
| Other expenses: | | | | |
| Grants and scholarships | 49,782 | - | - | 49,782 |
| Advertising and marketing | 9,813 | - | - | 9,813 |
| Office expense | 1,036 | 1,998 | 2,481 | 5,515 |
| Information technology | 1,000 | 1,470 | - | 2,470 |
| Conferences and meetings | 5,429 | 2,138 | - | 7,567 |
| Stewardship | - | - | - | - |
| Dues and fees | <u>-</u> | <u>2,452</u> | <u>158</u> | <u>2,610</u> |
| Total expenses | <u>\$ 146,984</u> | <u>\$ 94,149</u> | <u>\$ 47,509</u> | <u>\$ 288,642</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|------------------------------|------------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 694,516 | \$ 29,708 |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Unrealized gain on investments | (4,563) | (1,411) |
| Contributions restricted for long-term investment | (159,014) | (40,000) |
| Decrease in receivables | 5,293 | 1,607 |
| Increase in due from related party | (142,166) | - |
| Decrease (increase) in prepaids | 4,111 | (6,100) |
| Increase in funds held on behalf of others | 126,694 | 6,573 |
| Increase (decrease) in accounts payable and accrued expenses | 7,649 | (165) |
| Increase in unearned income | <u>37,500</u> | <u>2,500</u> |
| Net cash provided by (used in) operating activities | <u>570,020</u> | <u>(7,288)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 2,000 | - |
| Purchases of investments | <u>(8,206)</u> | <u>(96,429)</u> |
| Net cash used in investing activities | <u>(6,206)</u> | <u>(96,429)</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | <u>159,014</u> | <u>40,000</u> |
| Increase (decrease) in cash and cash equivalents | 722,828 | (63,717) |
| Cash and cash equivalents – beginning of year | <u>119,355</u> | <u>183,072</u> |
| Cash and cash equivalents – end of year | <u><u>\$ 842,183</u></u> | <u><u>\$ 119,355</u></u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – ORGANIZATION

Organization: Friends of Chabot College (the "Foundation") is a not-for-profit public benefit corporation organized to provide support and for the benefit of various programs and functions of Chabot College, by providing funding and services to help students achieve their educational, vocational and personal goals. Further, the Foundation provides a link between the District and the community. Chabot College is a part of the Chabot-Las Positas College District (the "District") and provides higher education instruction in the surrounding area.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Foundation presents its financial statements on the basis of without donor restrictions and with donor restrictions. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Net Assets: The financial statements focus on the Foundation as a whole and present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Net assets, revenue, expenses, gains, and losses have been classified into two net assets classes based on these donor-imposed restrictions. A description of each net asset class follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this category of net assets include contributions and grants, fundraising activities, other income and operating expenses without donor-imposed restrictions. Certain funds, generally set aside by Board action, function as endowments and are included in net assets without donor restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items in this net asset category are contributions and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Net assets that are subject to donor-imposed restrictions which require them to be maintained permanently by the Foundation are also considered net assets with donor restrictions. Items in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity and only the income be made available for purposes without donor restrictions or with donor restrictions (primarily gifts for endowments that will fund perpetual endowments).

Cash Equivalents: The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes with original maturity dates of three month or less.

Investments: Investments are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

As of June 30, 2020 and 2019, the Foundation had received documented conditional pledges of \$700 and \$100,000, respectively, which are not reflected in the accompanying financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Concentration of Credit Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

At June 30, 2020 and 2019, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$842,183 and \$119,355, respectively, and the unreconciled bank balance was \$848,989 and \$120,889, respectively. The bank balance amount was fully insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. At June 30, 2020 and 2019, \$135,696 and \$9,002 of the cash balance is held on behalf of others for certain activities.

Tax Status: The Foundation has been granted tax-exempt status by the Internal Revenue Service pursuant to code section 501(c)(3) and also by the California revenue and tax code section 23701e.

The Foundation has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Foundation uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes. Management does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the years ended June 30, 2020 and 2019, the Foundation did not recognize any interest or penalties. The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. Tax returns remain subject to examination by the U.S. Federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

(Continued)

FRIENDS OF CHABOT COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon employee service hours and program utilization.

NOTE 3 – INVESTMENTS

Investments consist of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Silicon Valley Community Foundation | \$ 110,135 | \$ 97,674 |
| Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher) | <u>34,927</u> | <u>36,619</u> |
| Total investments | <u>\$ 145,062</u> | <u>\$ 134,293</u> |

The Foundation established an investment account with Silicon Valley Community Foundation (SVCF) in March 2018. SVCF is organized and operated exclusively for charitable, educational, scientific and religious purposes with a 501(c)(3) tax-exempt status. SVCF has formed an investment program (the “Nonprofit Investment Program”) whereby SVCF may pool its investments with the funds of other charitable organizations for the purposes of investment in accordance with SVCF’s investment guidelines. The purpose of the SVCF Nonprofit Investment Program is to allow other charitable organizations to take advantage of economies of scale and diversification made available to SVCF, all in an effort to promote greater efficiency in the operations and to further the charitable objectives of the participating charities, as well as those of SVCF.

When funds were invested with SVCF in the year ending June 30, 2019, the Foundation Board of Directors adopted the SVCF investment policy. Funds invested with SVCF can be removed at any time with 10 days advance written notice and invested elsewhere, if needed. The Foundation invested its permanently restricted net assets that includes funds such as the Hispanic-serving Institutions endowment and the Gloria Prada Teaching Scholarship to take advantage of SVCF’s economies of scale. The objective of this investment is to grow the investment so that the income derived can help sustain future scholarship awards and support other college priorities.

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation’s investment in FCCC/Osher is to grow the Foundation’s investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC.

**Investment in FCCC/Osher* – The fair value of the investments held by FCCC are based upon that organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances (Level 3), of the assets at June 30, 2020 and 2019. The fair value of the funds held by FCCC is based upon the Foundation’s proportionate share of the FCCC/Osher pooled investment portfolio.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 – INVESTMENTS (Continued)

**Investment in SVCF* – The fair value of the investments held by SVCF are based upon the net asset values (“NAVs”) of the assets at June 30, 2020 and 2019. The fair value of the funds held by SCVF is based upon the Foundation’s proportionate share of the SCVF pooled investment portfolio.

Assets and liabilities measured at fair value at June 30, 2020 and 2019, on a recurring basis are summarized below:

| <u>June 30, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>NAV</u> | <u>Total</u> |
|-------------------------------------|----------------|----------------|------------------|-------------------|-------------------|
| Silicon Valley Community Foundation | \$ - | \$ - | \$ - | \$ 110,135 | \$ 110,135 |
| Investment with FCCC | - | - | 34,927 | - | 34,927 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,927</u> | <u>\$ 110,135</u> | <u>\$ 145,062</u> |
| | | | | | |
| <u>June 30, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>NAV</u> | <u>Total</u> |
| Silicon Valley Community Foundation | \$ - | \$ - | \$ - | \$ 97,674 | \$ 97,674 |
| Investment with FCCC | - | - | 36,619 | - | 36,619 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,619</u> | <u>\$ 97,674</u> | <u>\$ 134,293</u> |

Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC and SVCF, but there is currently no visibility provided by FCCC and SVCF to the specific listing of underlying investment holdings.

NOTE 4 – NET ASSETS

Net assets with donor restrictions were as follows for the year ended June 30, 2020.

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Specific-purpose scholarships | <u>\$ 899,792</u> | <u>\$ 273,241</u> |

For the years ended June 30, 2020 and 2019, \$362,829 and \$53,746, respectively, were released from restriction due to the satisfaction of donor restrictions.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – ENDOWMENT FUNDS

The Foundation’s endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of absence of donor-imposed restrictions.

The Board of Directors of the Foundation treats all donor-restricted endowment funds as net assets with donor restrictions. These endowment funds are invested in pool with all other investments of the Foundation. The returns on the endowment funds invested have been included in net assets with donor restriction interest and investment income on the statement of activities and changes in net assets. The Foundation operations under a version of UPMIFA enacted by the State of California. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) 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, and (d) the remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The objective of the Foundation’s investment in FCCC/Osher is to grow the Foundation’s investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool.

The following schedule summarizes the balance and activity in the Endowment Funds by net asset class for the year ended June 30, 2020:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|------------------|--------------------------------------|-----------------------------------|---------------------|
| Donor-restricted | \$ <u> -</u> | \$ <u> 287,180</u> | \$ <u> 287,180</u> |
| Total | \$ <u> -</u> | \$ <u> 287,180</u> | \$ <u> 287,180</u> |

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – ENDOWMENT FUNDS (Continued)

The following schedule summarizes the balance and activity in the Endowment Funds by net asset class for the year ended June 30, 2019:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|------------------|--------------------------------------|-----------------------------------|-------------------|
| Donor-restricted | \$ - | \$ 127,468 | \$ 127,468 |
| Total | <u>\$ -</u> | <u>\$ 127,468</u> | <u>\$ 127,468</u> |

Activity by net asset class:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|-------------------|
| Balance, July 1, 2018 | \$ 20,000 | \$ 78,934 | \$ 98,934 |
| Change in fair value of investments and investment income | - | 891 | 891 |
| Contributions | - | 20,000 | 20,000 |
| Transfer in of matching funds | - | 20,000 | 20,000 |
| Change in donor designation | (20,000) | 20,000 | - |
| Other transfers | - | (12,357) | (12,357) |
| Balance, June 30, 2019 | <u>-</u> | <u>127,468</u> | <u>127,468</u> |
| Change in fair value of investments and investment income | - | 698 | 698 |
| Contributions | - | 159,014 | 159,014 |
| Balance, June 30, 2020 | <u>\$ -</u> | <u>\$ 287,180</u> | <u>\$ 287,180</u> |

Funds with Deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of June 30, 2020 and 2019.

Endowment Borrowing: As of June 30, 2020, the Foundation maintained appropriate asset composition to support donor restrictions. As of June 30, 2019, the Foundation had borrowed \$40,000 cumulatively from the with donor restriction endowment. The Board of Directors is in the process of establishing a repayment time frame and an appropriate interest rate to accrue on the borrowings.

Matching Funds: The Foundation has a grant agreement that requires matching funds from amounts without donor restriction, in an amount equal to the grant received, to be transferred to donor-restricted endowment upon acceptance of the grant funds.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – ENDOWMENT FUNDS (Continued)

Return Objectives and Risk Parameters: The Foundation has invested its endowment assets with the SVCF and has adopted their investment policy as part of their Nonprofit Investment Program whereby funds from other nonprofits are pooled and invested in a manner that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The Foundation is invested in SVCF's Long-Term Growth Pool and Social Impact Pool. Investment pools are constructed in such a way as to achieve return objectives while minimizing volatility to the degree possible. The investment philosophy is centered on a strategic long-term asset allocation for each pool.

It is intended that the objectives of the endowed funds be met through the use of an appropriate combination of these investment pools. Each pool is invested in order to maximize returns while assuming an appropriate level of risk. Under this policy, the endowment assets are invested in a manner that is intended to produce results comparable to the performance of a policy index based upon the strategic asset allocation of the assets to various broad asset classes. Specifically, performance in achieving benchmarks based on policy indices such as the S&P 500, Russell Midcap, Russell 2000, Barclays Capital U.S. Aggregate and Merrill Lynch High Yield Master. SVCF's goal, over each five-year period, is to earn a rate of return for each pool that exceeds the benchmark return after investment management fees have been deducted.

Spending Policies of the Endowments: The Foundation allocates the investment income generated by the endowment each year based on the purpose of the endowment fund as specified by the donor. If the donor does not specify a purpose for their endowment, the income is used for general support.

NOTE 6 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 842,183 | \$ 119,355 |
| Investments | 145,062 | 134,293 |
| Amount due from District | 142,166 | - |
| Receivables | <u>700</u> | <u>5,993</u> |
| Total financial assets | <u>1,130,111</u> | <u>259,641</u> |
| Less amounts not available to be used for general expenditures: | | |
| Funds held on behalf of others | 135,696 | 9,002 |
| Net assets with donor restrictions | 899,792 | 273,241 |
| Spending of donor restricted amounts within one year available for general expenditures | <u>(207,708)</u> | <u>(58,043)</u> |
| Total amounts not available to be used for general expenditures | <u>827,780</u> | <u>224,200</u> |
| Total financial assets available to meet cash needs for general expenditures | <u>\$ 302,331</u> | <u>\$ 35,441</u> |

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 - LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has donor restricted net assets of \$207,708 at June 30, 2020 and \$58,043 at June 30, 2019, limited to specified purposes that management asserts will qualify as general expenditures within one year in the normal course of operations. Therefore, these purpose restricted assets are considered available. The Foundation's endowed assets held in perpetuity are considered not available for general expenditures over the next year except for appropriated amounts released for scholarships.

NOTE 7 – RELATED ORGANIZATIONS

The Foundation is considered an auxiliary organization with a specific relationship to Chabot College and the Chabot-Las Positas College District. This relationship is reflected in a master agreement between the entities. The Foundation's Statements of Activities and Change in Net Assets include in-kind contributions by Chabot College totaling \$193,963 and \$188,386 recorded as contributions and grants revenue for the years ended June 30, 2020 and June 30, 2019, respectively. This consisted of a portion of the salaries, benefits and payroll taxes for the foundation employees as well as occupancy costs and other operating costs. Related party receivables due from Chabot College are \$142,166 and \$0 for the years ended June 30, 2020 and June 30, 2019, respectively.

In the year ended June 30, 2020, the Foundation received a gift from the District in the amount of approximately \$698,000, consisting of approximately \$16,000 of amounts without donor restriction, \$135,000 in amounts held on behalf of others, and the remainder restricted for various donor-restricted purposes.

NOTE 8 – FUNDRAISING EVENTS

In fiscal years 2020 and 2019, the Foundation held two fundraising events, a Fall gala and a naming opportunity fundraiser. Results of the fundraising events generated revenues of \$74,540 and \$50,625, and total fundraising costs of \$25,106 and \$29,313, for the years ended June 30, 2020 and 2019, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the accompanying Financial Statements were available to be issued, which was December 8, 2020. Other than the matter mentioned below, no subsequent events have been identified that are required to be accounted for or disclosed.

In March 2020, the novel Coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization. Many countries around the world have significant government measures being implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on an organization's ability to conduct business.

The extent to which COVID-19 may impact the Foundation's business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others. Possible effects may include, but are not limited to, disruptions to the Foundation's contributions and a decline in the value of assets held by the Foundation, including investments.