

Cuesta College Foundation

Financial Statements

June 30, 2023 and 2022

C O N T E N T S

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Independent Auditors' Report on the Financial Statements

To the Board of Directors
Cuesta College Foundation
San Luis Obispo, California

Opinion

We have audited the accompanying financial statements of Cuesta College Foundation (a non-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above represent fairly, in all material respects, the financial position of Cuesta College Foundation as of June 30, 2023 and 2022, and the results of its operations 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 Cuesta College Foundation 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 Cuesta College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Independent Auditors' Report on the Financial Statements – Continued

Auditors' 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, including omissions, 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 Cuesta College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cuesta College Foundation's ability to continue as a going concern for a reasonable period of time.

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

Caliber Audit & Attest, LLP

San Luis Obispo, California
October 26, 2023

Cuesta College Foundation

***Statements of Financial Position
June 30, 2023 and 2022***

	<u>2023</u>	<u>2022</u>
<i>ASSETS</i>		
Cash and cash equivalents	\$ 428,632	\$ 996,692
Investments	43,149,330	37,467,018
Due from Cuesta College	2,857	70,988
Pledges receivable	180,000	454,500
Note receivable	111,696	114,597
Other receivables	4,508	1,335
Prepaid expense and supply inventory	117,309	123,443
Split interest agreements and estates receivable	172,701	1,418,624
Perpetual trusts held by others	3,787,713	3,684,545
Aircraft, net of accumulated depreciation	1,047,750	-
Total assets	<u>\$ 49,002,496</u>	<u>\$ 44,331,742</u>
<i>LIABILITIES AND NET ASSETS</i>		
<i>Liabilities</i>		
Accounts payable	\$ 673,339	\$ 436,823
Deferred revenue	595,417	60,006
Due to Cuesta College	350,000	1,000,000
Total liabilities	<u>1,618,756</u>	<u>1,496,829</u>
<i>Commitments and Contingencies</i>		
<i>Net Assets</i>		
Without donor restrictions		
Undesignated	589,960	528,491
Board designated unrestricted	1,414,037	613,976
Total without donor restrictions	<u>2,003,997</u>	<u>1,142,467</u>
With donor restrictions		
Restricted for specific purpose	5,280,240	4,285,894
Restricted for time and specific purpose	289,861	749,901
Restricted for time - to be endowed	62,840	1,123,223
Restricted for purpose - quasi endowment	16,217,648	15,641,224
Endowment spending reserves	6,322,156	4,238,665
Restricted in perpetuity	17,206,998	15,653,539
Total with donor restrictions	<u>45,379,743</u>	<u>41,692,446</u>
Total net assets	<u>47,383,740</u>	<u>42,834,913</u>
Total liabilities and net assets	<u>\$ 49,002,496</u>	<u>\$ 44,331,742</u>

See Notes to Financial Statements.

Cuesta College Foundation

***Statement of Activities
Year Ended June 30, 2023***

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<i>Revenue, Gains and Support</i>			
Contributions	\$ 909,294	\$ 1,250,177	\$ 2,159,471
In-kind contributions and donated services	-	1,463,133	1,463,133
In-kind support from Cuesta College	134,577	-	134,577
Interest and dividends	137,850	810,791	948,641
Net investment return	274,112	2,940,245	3,214,357
Income from perpetual trusts held by others	30,859	174,740	205,599
Change in value of split interest agreements	-	7,622	7,622
Change in value of perpetual trusts held by others	-	103,168	103,168
	<u>1,486,692</u>	<u>6,749,876</u>	<u>8,236,568</u>
Transfers to (from) funds	(107,835)	107,835	-
Net assets released from restrictions	<u>3,170,414</u>	<u>(3,170,414)</u>	<u>-</u>
Total revenue, gains and support	<u>4,549,271</u>	<u>3,687,297</u>	<u>8,236,568</u>
<i>Functional Expenses</i>			
Program services			
Payments to Cuesta College	2,389,649	-	2,389,649
Personnel	149,606	-	149,606
Operating	56,742	-	56,742
In-kind contributions to Cuesta College	243,083	-	243,083
Management and general			
Personnel	294,477	-	294,477
Operating	96,964	-	96,964
Fundraising and development			
Personnel	298,403	-	298,403
Operating	<u>158,817</u>	<u>-</u>	<u>158,817</u>
Total expenses	<u>3,687,741</u>	<u>-</u>	<u>3,687,741</u>
Change in net assets	<u>\$ 861,530</u>	<u>\$ 3,687,297</u>	<u>\$ 4,548,827</u>

See Notes to Financial Statements.

Cuesta College Foundation

***Statement of Activities
Year Ended June 30, 2022***

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Revenue, Gains and Support</i>			
Contributions	\$ 217,737	\$ 3,150,347	\$ 3,368,084
In-kind contributions and donated services	-	260,964	260,964
In-kind support from Cuesta College	133,501	-	133,501
Interest and dividends	101,055	807,524	908,579
Net investment return	(435,106)	(6,483,899)	(6,919,005)
Income from perpetual trusts held by others	38,157	121,239	159,396
Change in value of split interest agreements	-	(81,990)	(81,990)
Change in value of perpetual trusts held by others	-	(507,936)	(507,936)
	<u>55,344</u>	<u>(2,733,751)</u>	<u>(2,678,407)</u>
Transfers to (from) funds	(525,181)	525,181	-
Net assets released from restrictions	<u>2,835,737</u>	<u>(2,835,737)</u>	<u>-</u>
Total revenue, gains and support	<u>2,365,900</u>	<u>(5,044,307)</u>	<u>(2,678,407)</u>
<i>Functional Expenses</i>			
Program services			
Payments to Cuesta College	1,780,827	-	1,780,827
Personnel	152,708	-	152,708
Operating	6,594	-	6,594
In-kind contributions to Cuesta College	66,014	-	66,014
Management and general			
Personnel	334,350	-	334,350
Operating	53,769	-	53,769
Fundraising and development			
Personnel	224,265	-	224,265
Operating	<u>143,774</u>	<u>-</u>	<u>143,774</u>
Total expenses	<u>2,762,301</u>	<u>-</u>	<u>2,762,301</u>
Change in net assets	<u>\$ (396,401)</u>	<u>\$ (5,044,307)</u>	<u>\$ (5,440,708)</u>

See Notes to Financial Statements.

Cuesta College Foundation

Statement of Functional Expenses

Year Ended June 30, 2023

	<i>Supporting Services</i>			
	<i>Program Services</i>	<i>Management & General</i>	<i>Fundraising & Development</i>	<i>Total</i>
Bank service charges	\$ -	\$ 7,765	\$ -	\$ 7,765
Board and staff development	-	4,932	-	4,932
Closing costs	-	24,147	-	24,147
Conferences and meetings	-	2,480	7,821	10,301
Consultants	-	845	-	845
Depreciation	52,250	-	-	52,250
Equipment expense	-	4,519	-	4,519
Event expense	-	-	91,551	91,551
Gifts to Cuesta College	2,389,649	-	471	2,390,120
Hospitality and recognition	-	-	9,519	9,519
In-kind gifts	243,083	-	-	243,083
Investment expense	-	3	-	3
Marketing and promotion	-	-	192	192
Office supplies	-	602	4,004	4,606
Personnel	149,606	294,477	298,403	742,486
Postage	19	135	-	154
Professional fees	-	31,909	-	31,909
Publications	-	-	4,139	4,139
Rent	4,473	8,805	8,922	22,200
Software	-	7,736	30,506	38,242
Travel	-	3,086	1,692	4,778
Total functional expenses	<u>\$ 2,839,080</u>	<u>\$ 391,441</u>	<u>\$ 457,220</u>	<u>\$ 3,687,741</u>

See Notes to Financial Statements.

Cuesta College Foundation

Statement of Functional Expenses

Year Ended June 30, 2022

	<u><i>Supporting Services</i></u>			
	<u><i>Program Services</i></u>	<u><i>Management & General</i></u>	<u><i>Fundraising & Development</i></u>	<u><i>Total</i></u>
Bank service charges	\$ -	\$ 4,957	\$ -	\$ 4,957
Board and staff development	-	2,617	-	2,617
Conferences and meetings	-	-	8,099	8,099
Consultants	-	10,800	-	10,800
Dues and memberships	-	-	2,000	2,000
Equipment expense	-	4,959	-	4,959
Event expense	-	-	23,651	23,651
Gifts to Cuesta College	1,780,827	175	500	1,781,502
Hospitality and recognition	-	-	1,014	1,014
In-kind gifts	66,014	-	-	66,014
Marketing and promotion	-	725	1,880	2,605
Miscellaneous	-	3	69	72
Office supplies	-	1,291	5,153	6,444
Personnel	152,708	334,350	224,265	711,323
Postage	-	5,575	-	5,575
Professional fees	-	-	31,079	31,079
Promotional supplies	-	12	-	12
Publications	-	-	30,777	30,777
Rent	6,594	14,407	9,684	30,685
Software	-	6,783	24,092	30,875
Travel	-	1,445	5,776	7,221
Trust models and other programs	-	20	-	20
	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
 Total functional expenses	 <u>\$ 2,006,143</u>	 <u>\$ 388,119</u>	 <u>\$ 368,039</u>	 <u>\$ 2,762,301</u>

See Notes to Financial Statements.

Cuesta College Foundation

*Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Net Assets - June 30, 2021</i>	\$ 1,538,868	\$ 46,736,753	\$ 48,275,621
Change in net assets	<u>(396,401)</u>	<u>(5,044,307)</u>	<u>(5,440,708)</u>
<i>Net Assets - June 30, 2022</i>	1,142,467	41,692,446	42,834,913
Change in net assets	<u>861,530</u>	<u>3,687,297</u>	<u>4,548,827</u>
<i>Net Assets - June 30, 2023</i>	<u>\$ 2,003,997</u>	<u>\$ 45,379,743</u>	<u>\$ 47,383,740</u>

See Notes to Financial Statements.

Cuesta College Foundation

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 4,548,827	\$ (5,440,708)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	52,250	-
In-kind aircraft	(1,100,000)	-
Net return on investments	(3,214,357)	6,919,005
Change in value of split interest agreements and estates receivable	(7,622)	81,990
Change in value of perpetual trusts held by others	(103,168)	507,936
Contributions restricted for endowments	(283,861)	(1,285,250)
Contributions of charitable remainder trusts	-	(719,950)
<i>Change in operating assets and liabilities:</i>		
Due from Cuesta College	68,131	(61,575)
Pledges receivable	274,500	(444,798)
Other receivables	(3,173)	(953)
Prepaid expense and supply inventory	6,134	(106,918)
Accounts payable	236,516	54,095
Deferred revenue	535,411	(1,885)
Due to Cuesta College	(650,000)	-
Net cash provided by (used in) operating activities	<u>359,588</u>	<u>(499,011)</u>
<i>Cash flows from investing activities:</i>		
Purchase of investments	(5,386,958)	(45,276,777)
Proceeds from sale of investments	2,919,003	43,297,890
Amounts received from split interests	533,595	291,203
Amounts received from estates receivable	719,950	-
Payments from notes receivable	2,901	847,791
Net cash used in investing activities	<u>(1,211,509)</u>	<u>(839,893)</u>

See Notes to Financial Statements.

Cuesta College Foundation

Statements of Cash Flows - Continued
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<i>Cash flows from financing activities:</i>		
Contributions restricted for endowments	\$ 283,861	\$ 1,285,250
<i>Net decrease in cash and cash equivalents</i>	(568,060)	(53,654)
<i>Cash and cash equivalents, beginning of year</i>	996,692	1,050,346
<i>Cash and cash equivalents, end of year</i>	<u>\$ 428,632</u>	<u>\$ 996,692</u>
<i>Cash and cash equivalents</i>		
Available for operations	\$ 266,910	\$ 996,622
Available for specific purposes	161,722	70
	<u>\$ 428,632</u>	<u>\$ 996,692</u>

Supplemental disclosure of cash flow information:

No taxes or interest were paid by the Foundation during June 30, 2023 and 2022.

Noncash activities

Contributions of charitable remainder trusts and estates	<u>\$ -</u>	<u>\$ 719,950</u>
Contribution aircraft	\$ 1,100,000	\$ -
Other in-kind contributions and services	363,133	260,964
	<u>\$ 1,463,133</u>	<u>\$ 260,964</u>
In-kind support from Cuesta College	<u>\$ 134,577</u>	<u>\$ 133,501</u>

See Notes to Financial Statements.

Cuesta College Foundation

Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

The Cuesta College Foundation (the Foundation) is a California non-profit public benefit corporation that was incorporated on April 18, 1973, under the laws of the State of California. The Cuesta College Foundation supports the excellence of Cuesta College by engaging the community and building philanthropic resources. The funds raised and managed by the Foundation strengthen college programs, provide educational opportunities, and empower students to succeed.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred. Foundation resources are accounted for by the use of separate funds so that visibility and control are maintained for the benefit of the Foundation. Funds that have similar objectives and characteristics have been combined based on net asset restriction categories in the accompanying financial statements.

Financial statement presentation and net assets:

In order to accommodate the various alternatives for donors' distribution objectives, the Foundation's records are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The Foundation has presented its financial statements in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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.

The Foundation reports gifts of cash and other assets as an increase in net assets with donor restrictions that are temporary in nature or perpetual in nature if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose restriction is accomplished, temporary net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Cuesta College Foundation

Notes to Financial Statements

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

It is also the Foundation's policy that net assets with donor restrictions, that are perpetual in nature, are reported at their original value at the time of the gift. Management keeps the original corpus and realized and unrealized gains and losses on those assets linked for determining the fair market value of the fund for administrative purposes. Realized and unrealized gains and losses on those assets are recorded as net assets with donor restrictions that are temporary in nature, until appropriated, and do not impact the original corpus of the net assets with donor restrictions, that are perpetual in nature.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All pledges receivable, estates receivable, and amounts received that are donor restricted for future periods or donor restricted for specific purposes are reported as net assets with donor restrictions. The restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction, when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Foundation.

In-kind contributions and donated services:

It is the Foundation's policy to record non-cash items and in-kind gifts at their fair market value on the date they are received. Unless otherwise noted, contributed in-kind goods and services did not have donor-imposed restrictions.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed.

For the years ended June 30, 2023 and 2022, in-kind contributions and donated services totaled \$1,463,133 and \$260,964, respectively.

In addition, for the years ended June 30, 2023 and 2022, the Foundation received in-kind support from Cuesta College, which is included as part of District support, and totaled \$134,577 and \$133,501, respectively.

Cuesta College Foundation

Notes to Financial Statements

Cash and cash equivalents:

The Foundation considers all cash equivalents to be highly liquid debt instruments with a maturity of three months or less. Cash and cash equivalents consist mainly of cash, certificates of deposit, and money market funds, that are valued using Level 1 inputs as discussed in Note 3.

Concentrations of credit risk:

The Foundation invests in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified.

The Foundation maintains cash balances at financial institutions located in California. Certain accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation obtained collateral coverage from Pacific Premier up to \$1,000,000 on funds held in their accounts. From time to time, the cash balance may exceed the insured limits.

The Foundation also invests in various investment securities. Investment securities in general, are subject to various risks: interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Investment valuation and income recognition:

The Foundation's investments are stated at fair market value in the statement of financial position, with all gains and losses included in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurement. Investments acquired by gift are recorded at their fair market value at the date of the gift.

Investments are made according to the Investment Policy adopted by the Foundation's Board of Directors. These guidelines provide for a balanced and diversified portfolio with investments in equities, fixed income and other securities with performance measured against appropriate indices. Outside parties are contracted by the Foundation for the purpose of providing investment management.

Cuesta College Foundation

Notes to Financial Statements

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition date, if acquired during the year. Gains and losses on investments are shown net of fees of \$71,684 and \$105,762 for the years ended June 30, 2023 and 2022, respectively.

Pledges receivable:

When a donor has unconditionally promised to contribute funds to the Foundation in future periods, the Foundation recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. A provision for doubtful pledges receivable has not been established as management considers all accounts to be collectible based on favorable history over a substantial period of time.

Notes receivable:

Notes receivable consists of loans acquired through contributions or donation and are recorded at the outstanding principal amount. Interest is recorded on the accrual basis. A provision for these loans has not been established as management considers the full balance to be collectible, as the loans are secured by real property.

Split interest agreements:

The Foundation has irrevocable remainder beneficiary interests in split interest agreements whose maturities are based on the life expectancy of the income beneficiaries. The Foundation records the beneficial interest in the split interest agreements as temporarily restricted or permanently restricted depending on whether the donor's restrictions specify whether the distributed balance will be held in perpetuity at the end of the trust.

The change in fair value of these assets is included in the change in value of split interest agreements on the statement of activities.

Cuesta College Foundation

Notes to Financial Statements

Perpetual trusts held by others:

The Foundation is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Foundation has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The Foundation's estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to the control or direction of the Foundation. Gains and losses, which are not distributed by the trusts, are reflected as change in value of perpetual trusts held by others in the statements of activities.

Deferred revenue:

The Foundation has certain grant agreements in which the Foundation is the recipient of grant money. The revenue is recognized as the specifications in the grant agreements are met. Amounts collected but unearned are reflected as deferred revenue.

Administrative and management fees:

Custodian, investment, administrative, and management fees are recognized in the fiscal year in which they occur.

The Foundation charges an administrative fee internally for endowed funds under management. These fees help fund general operations, and are recorded internally both as revenue and expense. The fees have been reported on a net basis for financial statement presentation as the fees do not come from sources external to the Foundation.

Endowment investments:

The Foundation holds individual endowments, which are managed in a unitized investment pool. Investment earnings and related expenses are allocated based on each individual endowment's unit market value.

The Foundation pools a portion of its unrestricted assets for investment with the endowment fund unitized pool held in various mutual funds.

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 the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Foundation to retain as a fund of perpetual duration ("below water endowments"). As of June 30, 2023 and 2022, the Foundation held certain permanently restricted endowment funds in which the asset value had fallen below the original corpus level required by the donor due to market conditions.

Cuesta College Foundation

Notes to Financial Statements

The original historical gift of the 8 different below water funds totaled \$2,366,858 and the fair market value of the funds were \$2,318,697 as of June 30, 2023. This resulted in negative net total of \$48,161 for these funds as of June 30, 2023. As of June 30, 2022, the original historical gift of the 19 different below water funds totaled \$3,933,013 and the fair market value of the funds were \$3,647,653. This resulted in negative net total of \$285,360 for these funds as of June 30, 2022. There was no aggregate deficiency when adding all donor-restricted permanently restricted endowment funds as of June 30, 2023 and 2022.

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, thus providing intergenerational equity to all beneficiaries.

The investment objectives call for a disciplined, consistent management philosophy that accommodates the occurrence of all events which might be considered reasonable and probable. The investment objectives call for a philosophy which avoids extreme positions or opportunistic styles.

Income tax status:

The Foundation's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Foundation is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. However, the Foundation remains subject to taxes on any net income that is derived from trade or business, regularly carried on, and unrelated to its exempt purpose. Management believes that the Foundation has no taxable unrelated business income.

For the years ended June 30, 2023 and 2022, management of the Foundation is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)*. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Cuesta College Foundation

Notes to Financial Statements

Functional expense allocations:

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management. Personnel expense is allocated for each position based on estimated percent of time incurred for each function. Rent is allocated using personnel expense allocation.

Advertising:

The Foundation expenses advertising costs as incurred. Marketing and public relations expense for the year ended June 30, 2023 and 2022 was \$192 and \$2,605, respectively.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the estimated fair value of the split interest agreements, pledges receivable, perpetual trusts held by others, charitable remainder unitrust, other in-kind contributions and donated services, and functional allocation of expenses.

Recent accounting pronouncements:

The FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The new standard is effective for private companies for fiscal years beginning after December 15, 2021, which means it will be effective for the Foundation for the year beginning July 1, 2022. The new standard is required to be adopted using a modified retrospective approach. The pronouncement had no impact on the financial statements, as the Foundation has no long-term leases.

Cuesta College Foundation

Notes to Financial Statements

Note 2. *Liquidity and Availability*

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restriction.

Support Services:

The Foundation considers investment income without donor restrictions, appropriated earnings from board-designated (quasi) endowments for operations and contributions without donor restrictions available for use for management and general expenses.

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investments of its available funds.

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

Cash and cash equivalents	\$ 428,632
Less cash with donor restrictions:	
Cash restricted for specific purpose	<u>(161,722)</u>
Cash available for supporting services	266,910
 Certificates of deposit maturing within one year	 644,221
Notes receivable due within one year	8,497
Investments without specific purpose	1,411,070
Administrative fee for endowment management	521,355
Spending distribution from endowment fund	
for operations	<u>143,476</u>
Cash and investments available	
for supporting services	<u><u>\$ 2,995,529</u></u>

The Foundation considers these funds available to meet expenditures for supporting services, including management and general and fundraising.

Program Services:

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current program, which are ongoing, major and central to its annual operations to be available to meet cash needs for program services.

Cuesta College Foundation

Notes to Financial Statements

Financial assets available for program services consisted of endowment spending reserves of \$6,322,156. The Foundation's governing board has designated a portion of its unrestricted funds and restricted funds for purpose of endowment. These funds are invested for long-term appreciation and current income is to be used for specific purpose. As such, they are excluded from the cash for support services and program services discussion above but remain available and may be spent at the direction of the Board.

Note 3. Investments and Fair Value Measurements

At June 30, 2023 and 2022, investments comprised the following:

	<i>2023</i>	<i>2022</i>
Mutual funds	\$ 28,890,067	\$ 25,601,571
Fixed income	10,994,184	10,423,374
Government obligations	2,247,862	132,776
Certificates of deposit	1,017,217	1,309,297
Total investments at fair value	<u>\$ 43,149,330</u>	<u>\$ 37,467,018</u>

The Fair Value Measurements topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cuesta College Foundation

Notes to Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2023 and 2022.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Fixed income: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit and government obligations: Valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2023 and 2022:

	<i>2023</i>	<i>2022</i>
	<i>Level 1</i>	<i>Level 1</i>
Mutual funds	\$ 28,890,067	\$ 25,601,571
Fixed income	10,994,184	10,423,374
Government obligations	2,247,862	132,776
Certificates of deposit	1,017,217	1,309,297
Total investments at fair value	<u>\$ 43,149,330</u>	<u>\$ 37,467,018</u>

Cuesta College Foundation

Notes to Financial Statements

Note 4. Pledges Receivable

Pledges receivable as of the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 200,000	\$ 505,000
Less discount to present value	(20,000)	(50,500)
Total pledges receivable	<u>\$ 180,000</u>	<u>\$ 454,500</u>

Note 5. Note Receivable

The note receivable is comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note receivable due in monthly installments of \$1,076, including interest at 7%, due March 2036, secured by real property.	<u>\$ 111,696</u>	<u>\$ 114,597</u>

Note 6. Endowment Funds

The Foundation follows the authoritative guidance in the FASB *ASC* that covers *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. The State of California approved a version of UPMIFA in September 2008, effective for January 1, 2009. The Foundation adopted these provisions in fiscal 2009.

The Foundation's unitized endowment pool consists of 264 individual funds established for a variety of purposes to benefit the Foundation and Cuesta College. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Quasi endowments are viewed as long-term investments and, per their endowment policy, are expected to remain intact for a minimum of seven years. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Cuesta College Foundation

Notes to Financial Statements

The Board of Directors interprets UPMIFA as requiring 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 net assets with donor restrictions, that are perpetual in nature, as 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 as net assets with donor restrictions that is perpetual in nature, is classified as net assets with donor restrictions that is temporary in nature, 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 invest or appropriate donor-restricted endowment funds:

- 1) the duration and preservation of the fund
- 2) the purposes of the Foundation and the donor-restricted endowment fund
- 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
- 7) the investment policies of the Foundation

The Foundation's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment, and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

To satisfy its long-term rate-of-return 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 that balances a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints along with a substantive allocation to fixed income to provide certainty of return and tempering of volatility. As of June 30, 2023 and 2022, the Foundation established their target asset allocation to be 73% equity-based and 27% fixed income investments, for endowed and non-endowed funds. The target for the district innovation award investment is 40% equity-based and 60% fixed income.

Cuesta College Foundation

Notes to Financial Statements

Endowment funds are maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated quarterly to the endowment funds in proportion to each fund's share in the investment pools.

The Foundation has a policy of appropriating for distribution each year a spending rate for both above water endowments (those that have a value greater than their original gift value) and, if applicable, a potentially different spending rate for below water endowments (those that have a value less than their original gift value). To provide a smoothing effect to distributions over the short term, the Foundation averages the quarter-ending value for the most recent 12 quarters to establish a Market Value per Unit by which the spending rate will be multiplied. In establishing the spending rate for any year, the Foundation considers the long-term expected return on its endowment with the goal of providing inter-generational equity in terms of the purchasing power of the distributions over time. Accordingly, each year the Foundation establishes a current spending rate that will hopefully allow its endowment, after each distribution is made, to grow with the rate of inflation. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The spending policy is approved on an annual basis by the Board of Directors.

For the years ended June 30, 2023 and 2022, the Board approved spending rates were 3.75% and 1.875% for above water endowments and below water endowments, respectively, with deferred 1.875% going back into that particular underwater endowment to help it regain the original gift value more quickly for the years ended June 30, 2023 and 2022. The board approved administration fee was 1.375% for the years ended June 30, 2023 and 2022.

Cuesta College Foundation

Notes to Financial Statements

At June 30, 2023, endowment net assets comprised the following:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 19,741,441	\$ 19,741,441
Board-designated endowments with donor purpose restrictions	-	16,217,648	16,217,648
Board-designated endowments without donor purpose restrictions	1,414,037	-	1,414,037
Due to operating fund from endowment pool	298,589	-	298,589
Total endowments	<u>\$ 1,712,626</u>	<u>\$ 35,959,089</u>	<u>\$ 37,671,715</u>

At June 30, 2022, endowment net assets comprised the following:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 16,207,660	\$ 16,207,660
Board-designated endowments with donor purpose restrictions	-	15,641,224	15,641,224
Board-designated endowments without donor purpose restrictions	613,976	-	613,976
Due to operating fund from endowment pool	282,967	-	282,967
Total endowments	<u>\$ 896,943</u>	<u>\$ 31,848,884</u>	<u>\$ 32,745,827</u>

Cuesta College Foundation

Notes to Financial Statements

The changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, June 30, 2022	\$ 896,943	\$ 31,848,884	\$ 32,745,827
<i>Investment return:</i>			
Investment income	34,693	784,178	818,871
Net appreciation (realized and unrealized), net of fees	182,810	2,903,368	3,086,178
<i>Total investment return</i>	217,503	3,687,546	3,905,049
Contributions	-	334,932	334,932
Appropriations of endowed funds	(51,820)	(1,604,055)	(1,655,875)
Creation of new board designated endowment from non-contribution sources	650,000	525,353	1,175,353
Transfers from other funds	-	1,166,429	1,166,429
Endowment net assets, June 30, 2023	<u>\$ 1,712,626</u>	<u>\$ 35,959,089</u>	<u>\$ 37,671,715</u>

Cuesta College Foundation

Notes to Financial Statements

The changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, June 30, 2021	\$ 1,101,813	\$ 37,416,960	\$ 38,518,773
<i>Investment return:</i>			
Investment income	22,596	779,164	801,760
Net depreciation (realized and unrealized), net of fees	(179,524)	(6,318,344)	(6,497,868)
<i>Total investment loss</i>	(156,928)	(5,539,180)	(5,696,108)
Contributions	-	1,380,348	1,380,348
Appropriations of endowed funds	(47,942)	(1,699,427)	(1,747,369)
Creation of new board designated endowment from non-contribution sources	-	290,003	290,003
Other changes	-	180	180
Endowment net assets, June 30, 2022	<u>\$ 896,943</u>	<u>\$ 31,848,884</u>	<u>\$ 32,745,827</u>

Note 7. Net Assets with Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. The nature of the restrictions is disclosed on the face of the statements of financial positions.

Note 8. Split-Interest Agreements and Estates Receivable

The Foundation is named the beneficiary of several remainder interests in charitable remainder trusts and charitable gift annuities administered outside the Foundation. Contribution revenue and the related assets are recognized using the fair value of the assets, less the present value of the payments expected to be made to the beneficiaries. Under U.S. generally accepted accounting principles, the Foundation records its beneficial interest in split interest agreements and revenue for the estimated beneficial interest expected to be received using actuarial and present value calculations. The present value of this asset is calculated by using recent life expectancy tables and risk adjusted discount rates of 5% as of June 30, 2023 and 2022.

Cuesta College Foundation

Notes to Financial Statements

The Foundation is the beneficiary of two irrevocable charitable remainder trusts, or a portion thereof, that are administered by independent trustees. Subsequent changes after the initial receipt of the contribution are shown as change in value of split interest agreements in the statement of activities. The beneficial interest for these charitable remainder trusts at June 30, 2023 and 2022, totaled \$172,701 and \$1,418,624, respectively.

From time to time, the Foundation is named beneficiary of various estates and records the estate receivable based on the estimated value of the estate upon notification. The Foundation determines an appropriate discount factor to be applied to determine the present value of the receivable, if there are no other factors that will affect collection. As of June 30, 2023 and 2022, the Foundation had no estate receivables recorded.

The valuation of split interest agreements and estate receivables fall into the Level 3 category of the fair value hierarchy, as discussed in Note 3.

The following table sets forth a summary of changes in the fair value of the split interest agreements and estates receivable, which are Level 3 assets, for the years ended June 30, 2023 and 2022:

	<i>2023</i>	<i>2022</i>
Balance, beginning of year	\$ 1,418,624	\$ 1,071,867
Total gains/(losses) (unrealized and realized)	7,622	(81,990)
Receipts from charitable remainder trusts	(533,595)	(291,203)
Non-cash contributions from estates	-	719,950
Receipts from estates receivable	(719,950)	-
Balance, end of year	<u>\$ 172,701</u>	<u>\$ 1,418,624</u>

Cuesta College Foundation

Notes to Financial Statements

<u>2023</u>	<u>Fair value</u>	<u>Principal valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of significant input values</u>
Split-interest agreements and estate receivables	\$ 172,701	Net present value of the estimated future value to be received	Discount rate Years remaining	5% 3 - 9

<u>2022</u>	<u>Fair value</u>	<u>Principal valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of significant input values</u>
Split-interest agreements and estate receivables	\$ 1,418,624	Net present value of the estimated future value to be received	Discount rate Years remaining	5% 2 - 9

Note 9. Perpetual Trusts Held by Others

The Foundation is the beneficiary of three perpetual trusts that are administered by trustees outside the Foundation. Although the assets of these trusts are not in its possession, the Foundation will receive the income earned on trust assets in perpetuity. The fair value of the trust assets has been used to determine the fair value of the Foundation's beneficial interest in the trusts, which are considered Level 3 assets. For the Foundation, the change in the value of the perpetual trusts held by others is based solely on the change in fair value of the underlying trust assets. The Foundation's beneficial interest in each trust is as follows:

	<u>Percent Interest</u>
Trust #1	50%
Trust #2	25%

The portion of assets held in these trusts for the benefit of the Foundation at June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Trust #1	\$ 3,156,211	\$ 3,077,985
Trust #2	631,502	606,560
Total trusts	<u>\$ 3,787,713</u>	<u>\$ 3,684,545</u>

Cuesta College Foundation
Notes to Financial Statements

Perpetual trusts held by others consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 88,579	\$ 122,853
Fixed income securities:		
Investment grade taxable	383,659	286,343
Bond mutual funds	204,315	234,248
International development bonds	-	49,947
Total fixed income at fair value	<u>587,974</u>	<u>570,538</u>
Equities:		
U.S. large cap	1,853,172	1,820,937
U.S. mid cap	352,793	276,451
U.S. small cap	274,750	263,442
International development	214,787	185,741
Emerging markets	45,884	39,874
Total equity funds at fair value	<u>2,741,386</u>	<u>2,586,445</u>
Hedge funds	363,303	399,807
Accrued income	6,471	4,902
Total perpetual trust investments at fair value	<u><u>\$ 3,787,713</u></u>	<u><u>\$ 3,684,545</u></u>

The following table sets forth a summary of changes in the fair value of the perpetual trusts held by others, which are Level 3 assets, for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,684,545	\$ 4,192,481
Total gains/losses (unrealized and realized)	103,168	(507,936)
Balance, end of year	<u><u>\$ 3,787,713</u></u>	<u><u>\$ 3,684,545</u></u>

Cuesta College Foundation

Notes to Financial Statements

Note 10. Aircraft for Aviation Program

The Foundation received an aircraft donation for use in the aviation maintenance training program where the donor has first right to purchase the aircraft back. The aircraft is a fully functional Cessna 560 Citation V jet aircraft, complete with engines. Under the terms of the donation agreement, the Foundation is to use the aircraft in their Aviation Program. The aircraft was valued at estimated fair value by the donor after having an appraisal performed. The aircraft is being depreciated straight line over 10 years with a salvage value of 5% which is \$55,000. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated in the aircraft account and gain, or loss will be included on the statement of activities.

Note 11. Restrictions and Limitations on Net Assets with Donor Restrictions

Net assets restricted for time and purpose and in perpetuity as of June 30, 2023 and 2022 consisted of the following:

	<i>2023</i>	<i>2022</i>
Capital campaign and major gifts	\$ 9,010	\$ 9,010
Scholarships	896,029	761,391
Externally trusted charitable remainder trusts	109,861	100,451
Estates not yet distributed to Foundation	-	194,950
Pledge receivables	180,000	454,500
Endowment spending reserves	6,322,156	4,238,665
Board designated endowment	16,217,648	15,641,224
District innovation award investment	206,468	150,021
Various campus departments	4,168,733	3,365,472
Total net assets with time and purpose restrictions	<u>28,109,905</u>	<u>24,915,684</u>
Endowment funds	13,419,285	11,968,995
Externally trusted charitable remainder trusts	62,840	598,223
Estates not yet distributed to Foundation	-	525,000
Perpetual trusts held by others	3,787,713	3,684,544
Total net assets with perpetual restriction	<u>17,269,838</u>	<u>16,776,762</u>
Total net assets with donor restrictions	<u>\$ 45,379,743</u>	<u>\$ 41,692,446</u>

Cuesta College Foundation

Notes to Financial Statements

Note 12. Commitments and Contingencies

Encumbrances:

Throughout the year, the Foundation commits to payment for funds through the encumbrance process. The encumbrance is cleared and recorded in accounts payable when an invoice has been received with evidence that the underlying transaction was incurred. As of June 30, 2023 and 2022, the Foundation had encumbrances, which are not included in accounts payable in the amount of \$59,461 and \$33,605, respectively.

Vanguard Private Equity Commitment:

During the year, the Foundation entered into a private equity commitment in the amount of \$3,000,000. Under the agreement the Foundation is required to make an investment up to \$3,000,000 at such time the private equity fund finds a suitable investment within the Foundation's investment policy. At year ended June 30, 2023, no capital contributions had been made.

Note 13. In-kind contributions

During the years ended June 30, 2023 and 2022, the Foundation received the following non-cash donations of materials, services, personnel costs and use of facilities.

	<u>2023</u>	<u>2022</u>
Supplies contributed for program services	\$ 70,283	\$ 57,115
Aircraft contributed for aviation program	1,100,000	-
Instructor services contributed for aviation program	46,800	-
Hanger space contributed for aviation program	126,000	-
Real estate contributed as part of an estate	120,050	194,950
Vehicle contributed for program services	-	8,899
Contributed personnel cost - Cuesta College	112,377	102,664
Contributed use of facilities - Cuesta College	22,200	30,686
Travel expense reimbursement - Cuesta College	-	151
	<u>\$ 1,597,710</u>	<u>\$ 394,465</u>

Contributed supplies and vehicles are valued using estimated fair value considering the condition and utility for use at time of the contribution. Contributed supplies and vehicles are used in program services.

Contributed personnel costs, use of facilities, and travel expense reimbursement from Cuesta College are used primarily in management and general and fundraising and development. Personnel costs are valued based on comparable wages, travel expenses are based on actual cost incurred, and use of facilities are based on comparable rental rates.

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Notes to Financial Statements

During the year ending June 30, 2023, the Foundation received a donation of an aircraft, instructor services, and hanger space all for the aviation program. The valuation of the aircraft, instructor services, and hanger space were provided by the donor and are based on current market rates. In addition, the aircraft was appraised by a third party to verify the estimated fair value.

During the year-ended June 30, 2022, the Foundation received notification of an estate receivable which consisted of residential real estate, which was valued at 50% of the Zillow estimated value, due to significant unknown inputs and other uncertainties. During the year ended June 30, 2023, the Foundation sold the property and recognized the difference as current year in-kind income.

Note 14. Related Party Transactions

Agreements with Cuesta College:

The Foundation has an agreement with Cuesta College for services, facilities and equipment. The College employs all the Foundation staff. The Foundation reimbursed the College for the cost of six positions during the year ending June 30, 2023 and seven positions during the year-ended June 30, 2022. The remaining employees, including the executive director, were funded by the College. The College also provides office space and various office equipment used by the Foundation. Any amounts provided by the College are treated as in-kind gifts from Cuesta College and shown as support from Cuesta College in the accompanying statement of activities and changes in net assets.

The Foundation has an agreement to invest \$1,000,000 for Cuesta College, which is recorded as part of investments with the offset recorded as due to Cuesta College. Per the terms of the agreement, the Foundation charges an administration fee of 0.625%. The fee is paid quarterly using the prior ending quarters balance. The Foundation earned fees related to this investment in the amount of \$7,143 and \$8,023 during the years ended June 30, 2023 and 2022, respectively. During the year ended June 30, 2023 and 2022, the investment and related due to Cuesta College balance was \$350,000 and \$1,000,000, respectively.

As of June 30, 2023 and 2022, the Foundation had an accounts payable balance to the College of \$670,454 and \$407,321, respectively.

Donor Contributions:

The Foundation receives donations from board members and management, who are considered related parties to the Foundation.

Note 15. Subsequent Events

The date to which events occurring after June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is October 26, 2023, which is the date on which the financial statements were available to be issued.