

**FOUNDATION FOR
CALIFORNIA COMMUNITY
COLLEGES**

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

**YEARS ENDED
JUNE 30, 2023 AND 2022**

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

TABLE OF CONTENTS JUNE 30, 2023 AND 2022

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplemental Schedules:	
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24
Schedule of Findings and Questioned Costs	27

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Foundation for California Community Colleges (FoundationCCC), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FoundationCCC as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of FoundationCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FoundationCCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FoundationCCC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and somewhat stylized.

GILBERT CPAs
Sacramento, California

November 21, 2023

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 100,652,720	\$ 57,666,013
Cash held on behalf of others	69,992,991	68,001,075
Accounts receivable, net	25,811,872	23,766,273
Current portion of grants receivable	5,875,200	5,000,857
Prepaid expenses and other assets	2,822,344	1,935,714
Total current assets	<u>205,155,127</u>	<u>156,369,932</u>
NONCURRENT ASSETS:		
Investments	73,043,375	58,203,851
Investments held on behalf of others	38,719,934	35,210,348
Grants receivable	7,352,951	12,890,422
Property and equipment, net	126,641	536,193
Deposits	39,770	39,770
Right-of-use assets, operating lease	1,532,831	
Total noncurrent assets	<u>120,815,502</u>	<u>106,880,584</u>
TOTAL ASSETS	<u>\$ 325,970,629</u>	<u>\$ 263,250,516</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,771,232	\$ 6,057,708
Accrued expenses	12,980,216	7,569,312
Scholarships payable	2,217,374	2,742,831
Grants payable	697,084	602,051
Current portion of deferred revenue	43,112,754	28,023,130
Current portion of operating lease liability	1,105,719	
Funds held on behalf of others	69,992,991	68,001,075
Total current liabilities	<u>136,877,370</u>	<u>112,996,107</u>
NONCURRENT LIABILITIES:		
Deferred revenue	24,357,816	6,795,256
Operating lease liability, net	426,970	
Investments held on behalf of others	38,719,934	35,210,348
Total noncurrent liabilities	<u>63,504,720</u>	<u>42,005,604</u>
TOTAL LIABILITIES	<u>200,382,090</u>	<u>155,001,711</u>
NET ASSETS:		
Without donor restrictions:		
Board Designated Innovation Fund (see Note 7)	28,640,193	11,616,378
Undesignated	15,364,791	11,682,800
With donor restrictions	81,583,555	84,949,627
Total net assets	<u>125,588,539</u>	<u>108,248,805</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 325,970,629</u>	<u>\$ 263,250,516</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, SUPPORT AND INCOME:			
Contracts and fees for service	\$ 136,240,997		\$ 136,240,997
Government grants		\$ 9,433,604	9,433,604
Philanthropic contributions	129,469	8,805,430	8,934,899
Investment income	2,857,892	5,820,538	8,678,430
Net assets released from restrictions	<u>27,425,644</u>	<u>(27,425,644)</u>	
Total revenues	<u>166,654,002</u>	<u>(3,366,072)</u>	<u>163,287,930</u>
EXPENSES:			
Program services:			
Equity and Community Impact	42,337,021		42,337,021
Student Success	28,582,282		28,582,282
Workforce Development	28,202,888		28,202,888
System Support and Services	<u>23,354,051</u>		<u>23,354,051</u>
Total program services	<u>122,476,242</u>		<u>122,476,242</u>
Supporting services:			
General and administrative	22,981,816		22,981,816
Fundraising	<u>490,138</u>		<u>490,138</u>
Total supporting services	<u>23,471,954</u>		<u>23,471,954</u>
Total expenses	<u>145,948,196</u>		<u>145,948,196</u>
INCREASE (DECREASE) IN NET ASSETS	20,705,806	(3,366,072)	17,339,734
NET ASSETS, Beginning of Year	<u>23,299,178</u>	<u>84,949,627</u>	<u>108,248,805</u>
NET ASSETS, End of Year	<u>\$ 44,004,984</u>	<u>\$ 81,583,555</u>	<u>\$ 125,588,539</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services		
	Equity and Community Impact	Student Success	Workforce Development	System Support and Services	General and administrative	Fundraising	Total
Salaries and benefits	\$ 32,788,032	\$ 13,926,278	\$ 3,675,616	\$ 4,427,361	\$ 16,265,446	\$ 490,138	\$ 71,572,871
Funds granted to program partners	3,744,978	1,392,621	7,835,618	6,773,897	125,773		19,872,887
Professional services	1,647,783	10,297,164	1,844,851	1,939,495	2,509,833		18,239,126
Work experience wages and expenses	9,993	72,391	14,302,845	27,703	37,918		14,450,850
Equipment and supplies	1,285,078	2,289,092	175,106	1,267,702	1,500,455		6,517,433
Cost of goods sold				3,578,687			3,578,687
Scholarships & awards				2,468,141	19,625		2,487,766
Telecommunications	861,863	107,873	18,510	1,234,682	39,339		2,262,267
Occupancy	619,032	180	114,790	469,228	593,839		1,797,069
Office expenses	770,401	123,937	43,347	91,020	760,450		1,789,155
Training & conferences	269,992	137,889	107,505	622,708	501,065		1,639,159
Travel	313,058	234,857	84,700	307,424	394,879		1,334,918
Depreciation expense	26,811			146,003	233,194		406,008
Total expenses	<u>\$ 42,337,021</u>	<u>\$ 28,582,282</u>	<u>\$ 28,202,888</u>	<u>\$ 23,354,051</u>	<u>\$ 22,981,816</u>	<u>\$ 490,138</u>	<u>\$ 145,948,196</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services		
	Equity and Community Impact	Student Success	Workforce Development	System Support and Services	General and administrative	Fundraising	Total
Salaries and benefits	\$ 19,756,242	\$ 11,389,628	\$ 3,558,108	\$ 2,915,984	\$ 10,786,119	\$ 427,748	\$ 48,833,829
Funds granted to program partners	381,535	3,993	3,979,882	5,150,414			9,515,824
Professional services	1,784,109	6,075,724	1,541,795	2,083,757	1,672,428		13,157,813
Work experience wages and expenses	28,334	42,990	8,551,037	14,566	20,349		8,657,276
Equipment and supplies	927,395	2,161,505	139,461	1,620,258	1,461,401		6,310,020
Cost of goods sold				4,416,434			4,416,434
Scholarships & awards	6,600			2,785,631	40,030		2,832,261
Telecommunications	766,302	82,382	21,955	2,012,619	42,181		2,925,439
Occupancy	578,158	64,857	121,753	454,956	859,492		2,079,216
Office expenses	2,754,423	97,140	52,447	135,780	731,902		3,771,692
Training & conferences	176,923	93,830	34,087	152,231	131,453		588,524
Travel	117,492	95,472	35,716	131,720	123,402		503,802
Depreciation expense	26,811			152,284	282,273		461,368
Loss on disposal of property and equipment					331,732		331,732
Total expenses	<u>\$ 27,304,324</u>	<u>\$ 20,107,521</u>	<u>\$ 18,036,241</u>	<u>\$ 22,026,634</u>	<u>\$ 16,482,762</u>	<u>\$ 427,748</u>	<u>\$ 104,385,230</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 17,339,734	\$ (4,064,648)
Reconciliation to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	(6,086,128)	10,848,288
Depreciation	406,008	461,368
Loss on disposal of property and equipment	3,545	331,732
Reduction in right-of-use assets, operating lease	1,332,600	
Donor restricted contributions to be held in perpetuity	(89,166)	(1,000)
Changes in:		
Accounts receivable, net	(2,045,599)	(11,523,291)
Grants receivable	4,663,128	2,205,258
Prepaid expenses and other assets	(886,630)	1,285,181
Accounts payable	713,524	2,643,581
Accrued expenses	5,410,904	3,083,385
Scholarships payable	(525,457)	557,631
Grants payable	95,033	(231,935)
Deferred revenue	32,652,184	22,370,375
Funds held on behalf of others	1,991,916	(6,894,181)
Operating lease liability	(1,332,742)	
Net cash provided by operating activities	<u>53,642,854</u>	<u>21,071,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(13,366,745)	(1,708,060)
Proceeds from sale of investments	4,613,349	2,925,400
Purchases of property and equipment		(15,760)
Net cash provided (used) by investing activities	<u>(8,753,396)</u>	<u>1,201,580</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donor restricted contributions to be held in perpetuity	<u>89,166</u>	<u>1,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,978,624	22,274,324
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>125,667,088</u>	<u>103,392,764</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 170,645,712</u>	<u>\$ 125,667,088</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use assets acquired through lease liability	<u>\$ 2,865,431</u>	<u>\$</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Foundation for California Community Colleges (FoundationCCC) is the statewide nonprofit supporting the California Community Colleges, the largest system of higher education in the nation. Established in 1998, FoundationCCC serves as an innovation hub and intermediary for transformative change to the system, its Board of Governors, Chancellor's Office, and all 116 colleges across 73 districts, working together to lift up students, colleges, and communities. The organization focuses on increasing resources to benefit, support, and enhance the missions of the California Community Colleges in a variety of ways, including by securing grants and contracts, and philanthropic dollars, and operating over 70 programs and services that help accelerate paths to economic and social mobility for individuals across the state.

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

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

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

Conditional contributions, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. FoundationCCC receives certain government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional contributions subject to qualifying expenditure requirements were \$47,404,512 and \$21,152,941 at June 30, 2023 and 2022, respectively, and will be recognized as revenue as the conditions are met.

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

FoundationCCC minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. FoundationCCC's deposits held with financial institutions in excess of federal depository insurance

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

limits were \$164,302,829 and \$174,368,773 as of June 30, 2023 and 2022, respectively. FoundationCCC has not experienced any losses in such accounts and management believes FoundationCCC is not exposed to any significant credit risk related to cash.

Cash held on behalf of others – During 2021, FoundationCCC entered into an agreement with a department of the state in which FoundationCCC furnishes payments to certain recipients on behalf of a state program. To facilitate the program disbursements, FoundationCCC holds cash on behalf of the state. The balance of these funds is included as cash held for others and as a liability in FoundationCCC's statements of financial position. Bank balances held related to this agreement as of June 30, 2023 and 2022 were \$69,851,551 and \$68,091,777, respectively.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts at June 30, 2023 and 2022 was \$500,000 and \$300,000, respectively. Accounts receivable includes amounts owed from government and fee for service contracts.

Grants receivable consist of unconditional promises to give from private foundation, governmental, corporate, and individual grants. Long-term grants receivable totaling \$7,352,951 and \$12,890,422 at June 30, 2023 and 2022, respectively, are expected to be collected in 2028. No discount was applied to long-term grants receivable as it was considered immaterial.

Investments are stated at fair value.

Investments held on behalf of others – FoundationCCC holds investments on behalf of various California community colleges for the purpose of generating investment income to fund scholarships for their students. These investments are co-invested with funds held by FoundationCCC and remain net assets held in perpetuity of the colleges. Investments held on behalf of California community colleges totaled \$31,958,686 and \$30,618,073 at June 30, 2023 and 2022, respectively.

In August 2015, FoundationCCC entered into an agreement with the Board of Governors of the California community colleges Chancellor's Office to hold and take over the administration of the Real Estate Education Endowment, an endowment fund created for the purpose of providing scholarships to California community college students pursuing education in the field of real estate. The Real Estate Education Endowment investments are co-invested with the funds held by FoundationCCC and remain the assets of the Board of Governors of the California community colleges Chancellor's Office. Investments held by FoundationCCC for the Real Estate Education Endowment totaled \$6,761,248 and \$4,592,275 at June 30, 2023 and 2022, respectively.

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

Leases - FoundationCCC determines if an arrangement is or contains a lease at inception. Leases are included in right-of use assets and lease liabilities in the statements of financial position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and right-of use assets are also adjusted for prepaid or accrued rent. FoundationCCC uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, FoundationCCC has made an accounting policy election to use the risk-free rate at the

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. FoundationCCC does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income taxes – FoundationCCC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. FoundationCCC has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, FoundationCCC is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2019.

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

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

All other expenses are recorded on a direct cost basis.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Recent accounting pronouncement – Effective July 1, 2022, FoundationCCC adopted Accounting Standards Codification (ASC) 842, Leases, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, FoundationCCC applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, FoundationCCC applied the practical expedient to use hindsight for the purpose of determining the lease term. There was no cumulative effect adjustment to net assets, assets, or liabilities at the transition date.

Subsequent events have been evaluated for recognition and disclosure through November 21, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 100,652,720	\$ 57,666,013
Accounts receivable	25,811,872	23,766,273
Grants receivable	13,228,151	17,891,279
Investments	73,043,375	58,203,851
Total financial assets	<u>212,736,118</u>	<u>157,527,416</u>
Less amounts unavailable for general expenditures within one year, due to:		
Board designation (see Note 7)	(28,640,193)	(11,616,378)
Restrictions by donors (see Note 7)	<u>(81,583,555)</u>	<u>(84,949,627)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 102,512,378</u>	<u>\$ 60,961,411</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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

3. INVESTMENTS

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

FoundationCCC's investments consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,453,609	\$ 3,168,326
Mutual funds:		
International equity	23,096,816	18,538,483
Fixed income	19,447,191	16,829,990
US large cap equity	18,912,815	14,398,988
US mid cap equity	3,985,168	3,589,807
US small cap equity	<u>2,147,776</u>	<u>1,678,257</u>
Total	<u>\$ 73,043,375</u>	<u>\$ 58,203,851</u>

Investment income (loss) consists of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of management fees	\$ 2,592,302	\$ 1,716,262
Net realized and unrealized gain (loss)	<u>6,086,128</u>	<u>(10,848,288)</u>
Total	<u>\$ 8,678,430</u>	<u>\$ (9,132,026)</u>

Investments held on behalf of others consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,511,477	\$ 1,780,786
Mutual funds:		
International equity	12,477,071	11,267,977
Fixed income	10,414,881	10,222,543
US large cap equity	10,129,934	8,744,303
US mid cap equity	2,020,243	2,179,963
US small cap equity	<u>1,166,328</u>	<u>1,014,776</u>
Total	<u>\$ 38,719,934</u>	<u>\$ 35,210,348</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 1,547,478	\$ 1,547,478
Tenant improvements	305,701	309,245
Equipment	396,779	396,779
Total	2,249,958	2,253,502
Less accumulated depreciation	(2,123,317)	(1,717,309)
Property and equipment, net	<u>\$ 126,641</u>	<u>\$ 536,193</u>

5. LINE OF CREDIT

FoundationCCC has a brokerage account line of credit agreement with JP Morgan with a limit of \$4.5 million. Interest on borrowings varies based on the balance outstanding and the bank's broker call rates. Borrowings are collateralized by certain investments of FoundationCCC. As of June 30, 2023 and 2022, there was no outstanding balance on this line of credit.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable ^(a)	<u>\$ 25,811,872</u>	<u>\$ 23,766,273</u>	<u>\$ 12,225,966</u>
Contract liabilities:			
Deferred revenue	<u>\$ 66,809,703</u>	<u>\$ 31,841,664</u>	<u>\$ 12,347,322</u>

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

7. NET ASSETS

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

Changes in the Innovation Fund are as follows:

	<u>2023</u>	<u>2022</u>
Innovation Fund balance, beginning of year	\$ 11,616,378	\$ 1,300,002
Transfers from undesignated funds	15,687,928	10,574,734
Investment gain:		
Investment income	238,152	9,960
Realized/unrealized gain (loss)	<u>1,514,495</u>	<u>(185,272)</u>
Total investment gain (loss)	1,752,647	(175,312)
Approved expenditures	<u>(416,760)</u>	<u>(83,046)</u>
Innovation Fund balance, end of year	<u>\$ 28,640,193</u>	<u>\$ 11,616,378</u>

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

	<u>2023</u>	<u>2022</u>
Time and purpose restriction:		
System Support	\$ 10,777,224	\$ 15,456,519
Nursing Education Investment Fund	13,589,536	13,347,507
Student Success	4,526,871	5,414,214
Workforce Development	3,864,238	3,306,191
Equity and Community Impact	5,497,299	6,557,654
California Community Colleges Scholarship		
Endowment – investment income	2,842,879	471,200
Restricted into perpetuity:		
Bick Koop Endowment	89,002	
California Community Colleges Scholarship Endowment	<u>40,396,506</u>	<u>40,396,342</u>
Total	<u>\$ 81,583,555</u>	<u>\$ 84,949,627</u>

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted funds received from the Bernard Osher Foundation, Dr. Joseph Bick and Stephanie Koop, and other private funders to fund student scholarships through the California Community Colleges Scholarship Endowment and the Joseph Bick and Stephanie Koop Endowed Fund.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. FoundationCCC classifies as net assets with donor restrictions, the original value of all gifts donated to the permanent endowment. All accumulated unrealized appreciation and depreciation of endowment investments are recorded to net assets with donor restrictions to the extent that the

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

original value of donated principal has not decreased. Accumulated unrealized depreciation of endowment investments is recorded as a decrease to net assets with perpetual donor restrictions to the extent that there are no offsetting accumulated endowment earnings in net assets with donor restrictions. Accumulated unrealized appreciation of endowment investments is recorded as an increase to net assets with perpetual donor restrictions to the extent that the principal has been reduced through previous unrealized losses or funding endowment expenditures.

The California Community Colleges Scholarship Endowment and the Joseph Bick and Stephanie Koop Endowed funds are to be invested in perpetuity and interest and dividends are to be used per donor intent. The endowment investment policy, approved by the Board of Directors, emphasizes preservation of capital as its primary objective and growth and income as secondary objectives. The principal of the endowment fund may be used to fund distributions if earnings are not sufficient to meet payout requirements.

Changes in endowment net assets are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 40,867,542	\$ 50,425,041
Contributions	89,166	1,000
Transfers	4,574	
Investment gain:		
Investment income	1,976,118	1,716,260
Realized/unrealized gain (loss)	<u>2,592,178</u>	<u>(8,553,528)</u>
Total investment gain (loss)	4,568,296	(6,837,268)
Approved endowment expenditures	<u>(2,203,315)</u>	<u>(2,721,231)</u>
Endowment net assets, end of year	<u>\$ 43,326,263</u>	<u>\$ 40,867,542</u>

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

	<u>2023</u>	<u>2022</u>
Scholarships payable	\$ 2,217,374	\$ 2,742,831
Investments held on behalf of others	<u>1,513,809</u>	<u>1,859,869</u>
Total	<u>\$ 3,731,183</u>	<u>\$ 4,602,700</u>

8. LEASES

FoundationCCC leases office space, operating space for their Smog Referee Program, and equipment under operating leases expiring in various years through 2025, which are included on the statements of financial position as of June 30, 2023 as right-of-use assets and an operating lease liability of \$1,532,831 and \$1,532,689, respectively.

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The ROU assets and operating lease liability were calculated using the risk-free discount rate at the inception of the lease. Rent expense for these leases totaled \$1,332,600 for 2023. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$1,394,790 for 2023. The weighted-average risk-free discount rate for all operating leases is 5.39%. As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 2.30 years.

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

2024	\$ 1,132,779
2025	431,246
2026	<u>2,457</u>
Total lease payments	1,566,482
Less: present value discount	<u>(33,792)</u>
Total operating lease liability	<u>\$ 1,532,689</u>

Prior to implementation of ASC 842 in 2023, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$2,079,216.

9. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The CalPERS Board of Administration approved structural changes to the risk pools at their May 31, 2014 meeting, which combined all miscellaneous groups into one risk pool (Miscellaneous Risk Pool) effective with the 2013 valuations. The funded status of the Miscellaneous Risk Pool as of June 30, 2021 (most recent available annual report) was 86.9%, defined as the market value of assets (\$18,063,262,515 at June 30, 2021) divided by the entry age normal accrued liability (\$20,794,529,023 at June 30, 2021). The funded status of FoundationCCC's 3% at 60 and 2% at 62 plans reported by CalPERS as of June 30, 2021 (most recent available annual report) are as follows:

	<u>3% at 60</u> <u>Risk Pool</u>	<u>2% at 62</u> <u>Risk Pool</u>
Entry age normal accrued liability	\$ 33,808,906	\$ 10,871,723
Market value of assets	31,264,670	11,377,238
Funded status	92.5%	104.6%

Funding Policy

Active plan members of the Miscellaneous 3% at 60 Risk Pool and Miscellaneous 2% at 62 Risk Pool are required to contribute 8% and 6.75% of their annual covered salary, respectively. In addition, FoundationCCC is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates of the Miscellaneous 3% at 60 Risk Pool for the fiscal years ended June 30, 2023, 2022 and 2021 were 14.53%, 14.54%, and 14.73%, respectively, of annual covered payroll. The required employer contribution rates of the Miscellaneous 2% at 62 Risk Pool for the fiscal years ended June 30, 2023, 2022 and 2021 were 7.47%, 7.59%, and 7.73%, respectively, of annual covered payroll. FoundationCCC's contributions to CalPERS for the Miscellaneous 3% at 60 Risk Pool for the years ended June 30, 2023, 2022 and 2021 were \$1,229,876, \$1,053,072, and \$970,087, respectively. FoundationCCC's contributions to the Miscellaneous Risk Pool for 2023 and 2022 represent less than 5% of the Plan's total contributions for the plan year ended June 30, 2021 (most recent available annual report). FoundationCCC's contributions to CalPERS for the Miscellaneous 2% at 62 Risk Plan for the years ended June 30, 2023, 2022 and 2021 were \$3,230,874, \$2,142,032, and \$1,345,326, respectively. Future adopted contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2024 are \$403,672 plus 16.44% of covered annual payroll. Contribution rates for the Miscellaneous 3% at 60 Risk Pool for the year ending June 30, 2025 are estimated to be \$374,000 plus 16.40% of covered annual payroll. Future adopted contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2024 are \$21,068 plus 7.68% of covered annual payroll. Contribution rates for the Miscellaneous 2% at 62 Risk Pool for the year ending June 30, 2025 are estimated to be \$0 plus 7.7% of covered annual payroll.

10. DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS

FoundationCCC offers a defined contribution plan (the "Plan") to employees in accordance with Internal Revenue Code Section 403(b). The Plan is available to all full-time employees of FoundationCCC. This Plan allows for employee deferrals, employer matching, and elective employer contributions. Participants are immediately 100% vested in all contributions to the Plan. FoundationCCC also has an IRS Section 457 deferred salary plan for certain employees. FoundationCCC made no contributions to these plans in June 30, 2023 and 2022.

SUPPLEMENTAL SCHEDULES

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

	<u>Assistance Listing Number</u>	<u>Pass Through Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
National Science Foundation:				
Direct programs:				
EAGER Cluster - Implementing Active Learning Strategies	47.076	UTA18-001233		\$ 36,923
U.S. Department of Labor:				
Direct programs:				
LAUNCH	17.825	FAIN - FOA-ETA-06		5,548
U.S. Department of Defense:				
Direct programs:				
LAUNCH	17.825	FAIN - H982030-21-1		13,869
U.S. Department of Education:				
Passed through State of California, Department of Rehabilitation:				
State Vocational Rehabilitation Services Program	84.126A	31391	\$ 961,044	2,082,672
U.S. Department of Agriculture:				
Passed through State of California, Department of Social Services:				
CalFresh Outreach - CalFresh Benefits	10.561	A22-0055-S006		100,301
Fresh Success Program	10.561	21-3059	1,878,033	2,538,276
SNAP Cluster Total			1,878,033	2,638,577
U.S. Department of Commerce:				
Direct programs:				
Economic Adjustment Assistance Cluster				
California Resilient Careers in Forestry	11.307	20-10328	103,925	301,456
Total expenditures of federal awards			<u>\$ 2,943,002</u>	<u>\$ 5,079,045</u>

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION

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

2. INDIRECT COST RATE

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

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FoundationCCC for California Community Colleges (FoundationCCC), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FoundationCCC’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FoundationCCC’s internal control. Accordingly, we do not express an opinion on the effectiveness of FoundationCCC’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FoundationCCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FoundationCCC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FoundationCCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 21, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Foundation for California Community College's (FoundationCCC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on FoundationCCC's major federal programs for the year ended June 30, 2023. FoundationCCC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, FoundationCCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 21, 2023

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Department of Rehabilitation: State	
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Vocational Rehabilitation Services Program	84.126A
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

None noted.