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# **HARTNELL COLLEGE FOUNDATION (A NONPROFIT ORGANIZATION)**

**AUDIT REPORT**

Fiscal Years Ended June 30, 2021 and 2020

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
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JUNE 30, 2021**

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**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
BOARD OF DIRECTORS  
JUNE 30, 2021**

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The Hartnell College Foundation (the "Foundation") is governed by a Board of Directors and is a legal entity separate from the Hartnell Community College District (the "District"). The Foundation was incorporated in 1979.

The Foundation secures property by outright gift, bequest, will or trust and earnings from investments. The Foundation makes gifts, loans, grants and scholarships in order to promote, foster and implement the programs and activities of the District.

The Board of Directors for the fiscal year ended June 30, 2021 can be found on the following page.

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
BOARD OF DIRECTORS  
JUNE 30, 2021**

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The Board of Directors for the fiscal year ended June 30, 2021 was comprised of the following members:

<b>Members</b>	<b>Office</b>	<b>Term Expires</b>
Sulsona, Judy	President	Oct-2021
Gollnick, Kurt	Past President	Dec-2021
Black, Susan	Vice President	Dec-2022
Cling, Mike	Vice President	Dec-2021
Diaz-Infante, Alfred	Vice President	Oct-2023
Dilbeck, Sharon	Vice President	Oct-2021
Goldman, Steve	Vice President	Oct-2021
Laurent, Adrienne	Vice President	Dec-2023
Lopez, Chris	Vice President	Dec-2021
Romero, Dr. Pablo	Vice President	Dec-2023
Varney, Kerry	Vice President	Dec-2022
Briley, Mike	Treasurer	Dec-2022
Muñoz, Alfred	Secretary	Oct-2021
Adams, Bruce	Member	Dec-2023
Alameda, Cathy	Member	Oct-2021
Avila, Mike	Member	Dec-2021
Bailey, Andrea	Member	Dec-2022
Brubaker, Scott	Member	Oct-2023
Buchalter-Adler, Betsy	Member	Oct-2021
Cabrera, Ricky	Member	Oct-2023
Holaday, Brian	Member	Oct-2023
Jimenez, Elsa	Member	Oct-2021
Linder, Emmett	Member	Dec-2022
Linder, Sam	Member	Dec-2023
Mendez, Rene	Member	Oct-2021
Pasculli, Nick	Member	Oct-2023
Patton, Dr. Robert	Member	Oct-2021
Ramon, Jose	Member	Dec-2023
Romans, John	Member	Dec-2023
Taylor, Joanne	Member	Oct-2023
Williams, Jennifer	Member	Oct-2021
Zelaya, Patrick	Member	Dec-2021
Gill, Susan	Member	Dec-2022
Dr. Raúl Rodriguez	Superintendent/President Hartnell College	Start Date July 2020
Dr. Patricia Hsieh	Superintendent/President Hartnell College	Resignation Effective June 2020
Aurelio Salazar	Board of Trustees Representative Hartnell College	Start Date January 2021



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hartnell College Foundation  
Salinas, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hartnell College Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartnell College Foundation as of June 30, 2021 and 2020, 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.

*CWDL, Certified Public Accountants*

San Diego, California  
September 25, 2021

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# **FINANCIAL STATEMENTS**

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**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021**

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	<u>2021</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 6,628,635
Grants/Pledges receivable, current	5,973,120
Prepaid expenses	<u>12,126</u>
<b>Total current assets</b>	<u>12,613,881</u>
Noncurrent assets:	
Pledges receivable, net of current portion	2,267,195
Investments	16,438,384
Land held for investment	20,500,000
Art and collections	<u>256,581</u>
<b>Total noncurrent assets</b>	<u>39,462,160</u>
<b>Total assets</b>	<u>\$ 52,076,041</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 820,044
Scholarships payable	531,627
Deferred revenue	41,535
Pinnacle bank loan	<u>84,845</u>
<b>Total liabilities</b>	<u>1,478,051</u>
 <b>NET ASSETS</b>	
Net assets without donor restrictions	23,398,716
Net assets with donor restrictions	<u>27,199,274</u>
<b>Total net assets</b>	<u>50,597,990</u>
<b>Total liabilities and net assets</b>	<u>\$ 52,076,041</u>

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

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	<u>2020</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,445,264
Grants/Pledges receivable, current	2,070,406
Prepaid expenses	17,696
<b>Total current assets</b>	<u>6,533,366</u>
Noncurrent assets:	
Pledges receivable, net of current portion	1,645,000
Investments	12,434,268
Land held for investment	20,500,000
Art and collections	256,581
<b>Total noncurrent assets</b>	<u>34,835,849</u>
<b>Total assets</b>	<u>\$ 41,369,215</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 567,064
Scholarships payable	503,519
Deferred revenue	41,085
Pinnacle bank loan	94,350
<b>Total liabilities</b>	<u>1,206,018</u>
 <b>NET ASSETS</b>	
Net assets without donor restrictions	22,537,329
Net assets with donor restrictions	17,625,868
<b>Total net assets</b>	<u>40,163,197</u>
<b>Total liabilities and net assets</b>	<u>\$ 41,369,215</u>

**HARTNELL COLLEGE FOUNDATION**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2021**

Year Ended June 30, 2021	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 433,652	\$ 9,289,084	\$ 9,722,736
Special events	281,280	101,806	383,086
In-kind donations	246,006	2,500	248,506
Net investment return	280,710	3,566,522	3,847,232
Rental income	-	370,982	370,982
Other revenue	208,859	-	208,859
Net assets released from restriction	3,757,488	(3,757,488)	-
<b>Total Support and Revenue</b>	<b>5,207,995</b>	<b>9,573,406</b>	<b>14,781,401</b>
<b>EXPENSES</b>			
Program	4,032,118	-	4,032,118
General and administrative	153,777	-	153,777
Fundraising	160,713	-	160,713
<b>Total Expenses</b>	<b>4,346,608</b>	<b>-</b>	<b>4,346,608</b>
<b>Change in Net Assets</b>	<b>861,387</b>	<b>9,573,406</b>	<b>10,434,793</b>
<b>Net Assets - Beginning of Year</b>	<b>22,537,329</b>	<b>17,625,868</b>	<b>40,163,197</b>
<b>Net Assets - End of Year</b>	<b>\$ 23,398,716</b>	<b>\$ 27,199,274</b>	<b>\$ 50,597,990</b>

**HARTNELL COLLEGE FOUNDATION**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**JUNE 30, 2020**

Year Ended June 30, 2020	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Donations	\$ 152,973	\$ 2,906,585	\$ 3,059,558
Special events	845,138	229,042	1,074,180
In-kind donations	227,293	8,100	235,393
Net investment return	33,095	225,044	258,139
Rental income	-	281,632	281,632
Other revenue	166,366	-	166,366
Land asset released from restriction	20,500,000	(20,500,000)	-
Net assets released from restriction	3,306,508	(3,306,508)	-
<b>Total Support and Revenue</b>	<b>25,231,373</b>	<b>(20,156,105)</b>	<b>5,075,268</b>
<b>EXPENSES</b>			
Program	4,138,259	-	4,138,259
General and administrative	152,329	-	152,329
Fundraising	160,859	-	160,859
<b>Total Expenses</b>	<b>4,451,447</b>	<b>-</b>	<b>4,451,447</b>
<b>Change in Net Assets</b>	<b>20,779,926</b>	<b>(20,156,105)</b>	<b>623,821</b>
<b>Net Assets - Beginning of Year</b>	<b>1,757,403</b>	<b>37,781,973</b>	<b>39,539,376</b>
<b>Net Assets - End of Year</b>	<b>\$ 22,537,329</b>	<b>\$ 17,625,868</b>	<b>\$ 40,163,197</b>

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

Year Ended June 30, 2021	General and			
	Program	Administrative	Fundraising	Total
Salaries	\$ 226,034	\$ 54,307	\$ 13,210	\$ 293,551
Employee benefits	73,102	13,707	4,569	91,378
Consulting and marketing	30,032	4,487	-	34,519
Accounting fees	-	9,279	-	9,279
Campus area expenses	2,313,768	-	-	2,313,768
Conferences, convention, and meetings	10,694	6,416	4,278	21,388
Memberships	1,625	975	354	2,954
Equipment rental and maintenance	4,935	7,051	2,115	14,101
In-kind	198,804	49,701	-	248,505
Planned giving	-	-	49,222	49,222
Postage, printing, and publications	1,052	669	191	1,912
Royalties	(3,755)	-	-	(3,755)
Scholarships	587,747	-	-	587,747
Special events	-	-	86,122	86,122
Supplies	5,339	1,424	356	7,119
Telephone	-	1,182	296	1,478
ERAP (emergency rental assistance program)	560,389	-	-	560,389
Other	22,352	4,579	-	26,931
<b>Total</b>	<b>\$ 4,032,118</b>	<b>\$ 153,777</b>	<b>\$ 160,713</b>	<b>\$ 4,346,608</b>

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

Year Ended June 30, 2020	<b>General and</b>			
	<b>Program</b>	<b>Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 242,034	\$ 58,151	\$ 14,145	\$ 314,330
Employee benefits	80,739	15,139	5,046	100,924
Consulting and marketing	8,936	1,335	-	10,271
Accounting fees	-	2,421	-	2,421
Campus area expenses	2,551,814	-	-	2,551,814
Conferences, convention, and meetings	12,137	7,282	4,855	24,274
Memberships	2,299	1,379	502	4,180
Equipment rental and maintenance	1,676	2,395	718	4,789
In-kind	188,315	47,079	-	235,394
Planned giving	-	-	36,957	36,957
Postage, printing, and publications	5,272	3,355	958	9,585
Royalties	27,003	-	-	27,003
Scholarships	964,299	-	-	964,299
Special events	-	-	96,416	96,416
Supplies	11,047	2,946	736	14,729
Telephone	-	2,104	526	2,630
Other	42,688	8,743	-	51,431
<b>Total</b>	<b>\$ 4,138,259</b>	<b>\$ 152,329</b>	<b>\$ 160,859</b>	<b>\$ 4,451,447</b>

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**

Year Ended June 30,	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,434,793	\$ 623,821
Reconciliation to net cash provided (used) by operating activities:		
Net gain in the fair value of investments	(1,765,345)	(237,781)
Contributions restricted for endowments	(309,267)	(101,524)
Effect on changes in:		
Pledges receivable	(4,524,909)	656,420
Prepaid expenses	5,570	29,162
Accounts payable	252,980	(139,762)
Scholarships payable	28,108	198,212
Deferred revenue	450	(12,456)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>4,122,380</b>	<b>1,016,092</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,181,237)	(3,832,600)
Proceeds from sale of investments	1,942,466	2,513,849
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>(2,238,771)</b>	<b>(1,318,751)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	309,267	101,524
PPP loan proceeds	(9,505)	94,350
<b>Net Cash Provided (Used) in Financing Activities</b>	<b>299,762</b>	<b>195,874</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,183,371</b>	<b>(106,785)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>4,445,264</b>	<b>4,552,049</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 6,628,635</b>	<b>\$ 4,445,264</b>

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization: Hartnell College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized to provide support to various programs and functions of Hartnell Community College District (the "District" or "College"), as well as to provide a link between the District and the community. Hartnell Foundation is considered a component unit of the District for financial reporting purposes and, accordingly, is reported as a discretely presented component unit in the District's financial statements.

The mission of Hartnell College Foundation is to cultivate resources to champion student success.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

All donor-restricted contributions are recorded as increases in net assets with donor restrictions. When a restriction expires, either by the passage of time or the purpose is satisfied, the net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Possible expirations of net assets with donor restriction are (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less as cash equivalents.

Investments: Investments in marketable securities are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments is reported in the statement of activities. Investment income, which consists of interest, dividends, realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Land held for investments: Land held for investments is carried at the lower of cost or fair value. Declines in the value of the investment is recognized if the aggregate fair value is less than the carrying amount, recoveries of aggregate fair value in subsequent periods is recorded in those periods subject only to the limitation that the carrying amount shall not exceed the original cost.

Net Assets: The financial statements report amounts separately by class of net assets as follows:

- Net assets without donor restrictions are those resources that are currently available for operations.
- Net assets with donor restrictions are those resources which are stipulated by donors for various scholarships or other programmatic uses.

Endowment Funds: The Foundation accounts for its endowments in accordance with *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* (Codification Topic 958-205). The Foundation's endowment currently consists of 89 individual funds established for the purpose of supporting education at the District. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (a) the original value of gifts donated to the net assets with donor restriction endowment, (b) the original value of subsequent gifts to the net assets with donor restriction endowment, and (c) accumulations to the net assets with donor restriction endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

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

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality investment instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Underwater Endowment Funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors. The Foundation considers its endowments to be underwater if their fair value is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. The Foundation had one underwater endowment fund at June 30, 2021 and no underwater endowment funds at June 30, 2020.

Donations: Donations are recognized as revenues in the period received. Donations are considered available for net assets without donor restrictions use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period the events occur.

Management Fee Income: The Foundation assessed a 1.5% management fee on all endowments. Income from this fee is without donor restriction and is used to support the Foundation's operations and mission.

Pledges Receivable: Pledges receivable consist of unconditional and conditional promises to give. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Pledges which are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. At June 30, 2021 and 2020, management has determined that an allowance for uncollectible pledges is not considered necessary.

Pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risks applicable in the years in which those promises are received. At June 30, 2021 and 2020, the Foundation has not applied a present value discount as the amount was not significant.

Concentration of Credit Risk: Cash balances held in banks are insured up to \$250,000 and are collateralized by the respective financial institution. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

At June 30, 2021 and 2020, the Foundation had deposits at financial institutions eligible for insurance coverage with carrying amounts of \$6,628,635 and \$4,445,264 and bank balances of \$6,272,255 and \$4,117,000 respectively. The total uninsured bank balances at June 30, 2021 and 2020 were \$5,258,373 and \$3,215,130, respectively.

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Tax Status: The United States Treasury Department determined that the Foundation is a nonprofit tax-exempt corporation as defined by Internal Revenue Code Section 501(c)(3). A similar determination was made by the California Franchise Tax Board under Section 237 of the State Revenue and Taxation code.

In 2003, the Foundation Board of Directors approved the 501(h)-lobby election of the Internal Revenue Code. Such status provides the Foundation with the ability to participate in the public policy process through lobbying and advocacy campaigns but limits the Foundation's expenses for this purpose to a maximum of 20% of the first \$500,000 of annual expenditures.

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

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the years ended June 30, 2021 and 2020, the Foundation did not recognize any interest or penalties. The Foundation is subject to the filing of U.S. Federal and California informational returns. Federal returns for 2017 through 2019 and California returns for 2016 through 2019 are currently open for potential Federal and State examination.

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

**HARTNELL COLLEGE FOUNDATION  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Change in Accounting Principle: In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer or promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In May 2020, the FASB voted to defer the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The Foundation adopted ASU 2014-09 during the year ended June 30, 2021. The adoption of ASU 2014-09 did not have a material impact to the Foundation's financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the ASU 2018-08 apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

The Foundation has implemented the provisions of this ASU as of June 30, 2021, because management believes it improves the Foundation's financial reporting.

New Accounting Pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Although the full impact of ASU 2016-02 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

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**NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	2021	2020
Pledges receivable	\$ 8,240,315	\$ 3,715,406
Less pledges receivable, current	(5,973,120)	(2,070,406)
Pledges receivable, noncurrent	<u>\$ 2,267,195</u>	<u>\$ 1,645,000</u>

Pledges receivable reported as noncurrent are expected to be received within the next five years.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	\$ 6,628,635	\$ 4,445,264
Grants/pledges receivable	8,240,315	3,715,406
Investments	16,438,384	12,434,268
Total financial assets, at year-end	<u>\$ 31,307,334</u>	<u>\$ 20,594,938</u>
Restrictions for specific purposes:		
Board designated*	\$ 23,398,716	\$ 22,537,329
Donor designated	27,199,274	17,625,868
Total contractual or donor-imposed restrictions	<u>50,597,990</u>	<u>40,163,197</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ (19,290,656)</u>	<u>\$ (19,568,259)</u>

\*Board designated assets are at the appointed board's discretion and can be made available for general foundation use, if needed. The board has control of the Matsui land. Matsui land, valued at \$20.5 million will be sold at the Foundation board's discretion.

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**NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

Investments consist of the following at June 30:

	2021	2020
Fixed Income	\$ 2,611,441	\$ 2,161,089
Equity securities	12,981,165	9,598,106
Mutual funds	165,110	123,068
Investment Foundation Student Success Fund	270,314	213,211
Investment Foundation for California Community Colleges Scholarships Endowment (FCCC/Osher)	410,354	338,794
Total	<u>\$ 16,438,384</u>	<u>\$ 12,434,268</u>

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC. At June 30, 2021 and 2020, the Foundation investment in the pool consisted of 5% and 6% cash and short-term investments, 16% and 17% fixed income securities, and 79% and 77% equity securities, respectively.

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

*Level 1* – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2* – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2021, and 2020, the carrying amounts of cash and cash equivalents and accounts payable approximate fair value because of the relatively short maturities of these financial instruments.

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**NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Investment securities:				
Fixed Income	\$ 2,611,441	\$ 2,611,441	\$ -	\$ -
Equity securities	12,981,165	12,981,165	-	-
Mutual funds	165,110	165,110	-	-
Investment Foundation Student Success Fund	270,314	270,314	-	-
Investment in FCCC/Osher*	410,354	-	-	-
Total investment securities	<u>\$ 16,438,384</u>	<u>\$ 16,028,030</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Investment securities:				
Fixed Income	\$ 2,161,089	\$ 2,161,089	\$ -	\$ -
Equity securities	9,598,106	9,598,106	-	-
Mutual funds	123,068	123,068	-	-
Investment Foundation Student Success Fund	213,211	213,211	-	-
Investment in FCCC/Osher*	338,794	-	-	-
Total investment securities	<u>\$ 12,434,268</u>	<u>\$ 12,095,474</u>	<u>\$ -</u>	<u>\$ -</u>

\*Investments measured at fair value using net asset value (“NAVs”) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Foundation used the following methods and significant assumptions to estimate fair value:

The fair value of the investments held by FCCC was based upon the NAVs of the assets at June 30, 2021 and 2020. The fair value of the funds held by FCCC is based upon the Foundation’s proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future 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.

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**NOTE 5 – LAND HELD FOR INVESTMENT**

During the year ended June 30, 2018, the Foundation received a donation of land with an appraised value of \$20,500,000. During the year ended June 30, 2020 the donor conditions were met. The donation was transferred to net assets without donor restrictions and is held for future sale. The proceeds from the sale will be maximized for the best interests of the College, Foundation, and students.

**NOTE 6 – ADMINISTRATIVE EXPENSES**

The Foundation's Statements of Activities include in-kind contributions from the District totaling \$246,006 for the year ended June 30, 2021 and \$227,293 for the year ended June 30, 2020. This consisted of management support services and operational services as provided by the District. The valuation of such services is determined based upon the cost of the employees' salaries and benefits.

**NOTE 7 – NET ASSETS**

Changes in net assets with donor restrictions for the fiscal year ended June 30, consisted of the following:

Year Ended June 30,	2021	2020
Academic program	\$ 12,018,514	\$ 6,724,969
Scholarships and grants - endowed funds	13,743,875	10,005,903
Scholarships and grants - nonendowed funds	1,328,950	813,811
Federal Gear Up grant	107,935	81,185
Total Net Assets with Donor Restrictions	<u>\$ 27,199,274</u>	<u>\$ 17,625,868</u>

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**NOTE 7 – NET ASSETS** (Continued)

Changes in endowment net assets for the fiscal year ended June 30, consisted to the following:

Year Ended June 30, 2021	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,005,903	\$ 10,005,903
Change in fair value of investments	-	233,996	233,996
Investment income	-	3,518,608	3,518,608
Contributions	-	309,267	309,267
Transfers and adjustments	-	(117,000)	(117,000)
Appropriation of endowment assets for expenditure	-	(206,899)	(206,899)
Endowment net assets, end of year	\$ -	\$ 13,743,875	\$ 13,743,875

Year Ended June 30, 2020	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,042,425	\$ 10,042,425
Change in fair value of investments	-	39,747	39,747
Investment income	-	457,689	457,689
Contributions	-	101,524	101,524
Transfers and adjustments	-	25,000	25,000
Appropriation of endowment assets for expenditure	-	(660,482)	(660,482)
Endowment net assets, end of year	\$ -	\$ 10,005,903	\$ 10,005,903

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**NOTE 8 – REFUNDABLE ADVANCE – PINNACLE BANK LOAN**

In April 2020, the Foundation received loan proceeds in the amount of approximately \$94,350 under the Paycheck Protection Program (PPP) Loan from the Small Business Administration (SBA). The original PPP Loan was forgiven during fiscal year 2021. Subsequently, the Foundation applied and received additional PPP loan proceeds in the amount of approximately \$84,845. The Foundation currently believes that it has used the loan proceeds in accordance with the conditions for forgiveness of the loan. The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation believes it has used the proceeds for purposes consistent with the PPP. While the Foundation currently believes that it has used the loan proceeds in accordance with the conditions for forgiveness of the loan, there is not a guarantee that the Foundation will be approved by the SBA for forgiveness of the loan, in whole or in part. Given these facts and circumstances the Foundation has accounted for the PPP loan in accordance with ASC Topic 958.

**NOTE 9 – SUBSEQUENT EVENTS**

The Foundation evaluated all events or transactions that occurred from June 30, 2021 to September 25, 2021, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.