

The Peninsula College Fund
(A California Nonprofit Organization)

Financial Statements
With Accountant's Compilation Report
June 30, 2021.



Chavan & Associates, LLP

Certified Public Accounts
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The Peninsula College Fund
(A California Nonprofit Organization)

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**INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

To the Board of Directors,
The Peninsula College Fund

Management is responsible for the accompanying financial statements of The Peninsula College Fund (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021 , and the related statement of activities, cash flows, and functional expenses for the year then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

C & A LLP

May 25, 2022
Morgan Hill, California

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The Peninsula College Fund
(A California Nonprofit Organization)
Statement of Financial Position
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 1,495,267
Promises to give	513,117
Prepaid expenses	16,648
Deposits	861
Website development, net	20,444
Computer equipment, net	7,179
	<u>7,179</u>
Total Assets	<u><u>\$ 2,053,516</u></u>

LIABILITIES

Accounts payable	\$ 2,858
Scholarships Payable	1,238,221
Lines of credit	7,954
Accrued expenses	19,816
Loans Payable	154,230
	<u>154,230</u>
Total Liabilities	<u><u>1,423,079</u></u>

NET ASSETS

Without donor restrictions:	
Board designated	145,268
With donor restrictions	485,169
	<u>485,169</u>
Total Net Assets	<u><u>630,437</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,053,516</u></u>

See accompanying Independent Accountant's Compilation Report and Notes to financial statements.

The Peninsula College Fund
(A California Nonprofit Organization)
Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions	\$ 575,538	\$ 597,469	\$ 1,173,007
Grants	-	128,615	128,615
Special events:			
Contributions	250,023	-	250,023
Ticket sales	65,736	-	65,736
Other special event revenue	3,000	-	3,000
Less cost of direct benefits to donors	(37,178)	-	(37,178)
Net special events revenue	281,581	-	281,581
In-kind contributions	11,766	-	11,766
Net investment return	305	-	305
Other revenue	5,500	-	5,500
Net assets released from restrictions:			
Satisfaction of program restrictions	812,615	(812,615)	-
Total Revenue and Support	1,687,305	(86,531)	1,600,774
EXPENSES AND LOSSES			
Program expenses	1,383,345		1,383,345
Management and general expenses	241,490	-	241,490
Fundraising expenses	204,925	-	204,925
Total Expenses and Losses	1,829,760	-	1,829,760
Change in Net Assets	(142,455)	(86,531)	(228,986)
Prior Period Adjustments	507,876	-	507,876
Total Net Assets - Beginning	(220,153)	571,700	351,547
Total Net Assets - Ending	\$ 145,268	\$ 485,169	\$ 630,437

See accompanying Independent Accountant's Compilation Report and Notes to financial statements

The Peninsula College Fund
(A California Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Scholarships	\$ 691,502	\$ -	\$ -	\$ 691,502
Personnel costs	597,543	75,460	176,904	849,907
Professional services	5,527	93,041	21,925	120,493
Occupancy	-	-	10,579	10,579
Supplies	4,449	5,180	7,401	17,030
Stipends	9,373	-	-	9,373
Dues and subscriptions	-	11,040	5,464	16,504
Insurance	-	4,622	-	4,622
Professional development	-	359	69	428
Office expenses	2,961	11,430	3,556	17,947
IT expenses	-	17,315	1,979	19,294
Other operating expenses	10,066	7,900	4,231	22,197
COVID-19 grants	61,924	-	-	61,924
In-kind donations	-	1,771	9,995	11,766
Depreciation and amortization	-	13,372	-	13,372
Total expenses by function	<u>1,383,345</u>	<u>241,490</u>	<u>242,103</u>	<u>1,866,938</u>
Less expenses included with revenues in the statement of activities:				
Cost of direct benefits to donors	-	-	(37,178)	(37,178)
Total expenses included in the expense section in the statement of activities	<u>\$ 1,383,345</u>	<u>\$ 241,490</u>	<u>\$ 204,925</u>	<u>\$ 1,829,760</u>

See accompanying Independent Accountant's Compilation Report and Notes to financial statements

The Peninsula College Fund
(A California Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (228,986)
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Depreciation and amortization	13,372
Prior period adjustments	507,876
Amortization of discount on promises to give	5,271
Loss on uncollectable promises to give	2,706
Loans forgiven	(128,615)
Changes in operating assets and liabilities:	
Promises to give	241,566
Prepaid expenses	(9,002)
Accounts payable	2,858
Scholarships payable	(235,715)
Accrued expenses	19,816
Net cash provided by (used for) operating activities	191,147

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(6,063)
Net cash provided by (used for) investing activities	(6,063)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from long-term financing	154,230
Net cash provided by (used for) financing activities	154,230

Net change in cash and cash equivalents	339,314
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Cash and cash equivalents - beginning of year	1,155,953
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Cash and cash equivalents - end of year	\$ 1,495,267
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See accompanying Independent Accountant's Compilation Report and Notes to financial statements

The Peninsula College Fund
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 - PRINCIPAL ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Peninsula College Fund (the “Organization”) is a 501(c)(3) organization founded in 2005 in California. The Organization was established to empower the low-income, first-generation college students to graduate and obtain a job that aligns with their career goals. The Organization serves the students around the Mid-Peninsula and South Bay region by providing four-year college scholarships, one-to-one mentoring, college and career success training, and summer internship support.

The Organization has an outstanding record of meeting local needs. Nearly 95% of the scholars who have participated in the program have graduated from college or are on track to graduate from four-year colleges.

Basis of Presentation

The financial statements are presented in the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program support services. Management has determined the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of June 30, 2021, there were no accounts receivable nor an allowance for accounts receivable.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of June 30, 2021, the allowance for uncollectable accounts was \$2,706.

The Peninsula College Fund
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended June 30, 2021

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

The Organization records property and equipment additions at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets of 3 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Management did not review the carrying values of property and equipment for impairment because they were immaterial to the financial statements as of June 30, 2021.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board designates 3 months of payroll and the scholarships due in one year as a reserve balance. The total reserve as of June 30, 2021 was calculated at \$690,122. However, total the unrestricted net assets balance was \$145,268, thus the board designated reserve defaulted to this balance as of June 30, 2021.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Contribution and Grant Revenue - The Organization receives support from individuals, Organizations, corporations, and other nonprofit organizations in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Organization receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Organization's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

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Notes to Financial Statements
For the Year Ended June 30, 2021

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received, when applicable. The Organization reported revenue of \$11,766 for in-kind contributions during the year ended June 30, 2021.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$10,525 during the year ended June 30, 2021.

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.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private Organizations under IRC Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization's unrelated business income tax was minimal and immaterial to the financial statements as of June 30, 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions

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Notes to Financial Statements
For the Year Ended June 30, 2021

of the outstanding amounts are due from organizations, individuals, and Organizations supportive of the Organization's mission. Investments are made by diversified investment managers/brokers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that its investment strategies are prudent for the long-term welfare of the organization.

As of June 30, 2021, the carrying amounts of cash deposits in checking, savings, money market and certificate of deposit accounts totaled \$1,495,267. The bank balance in these accounts was \$1,203,066, which exceeded FDIC insurance by \$953,066.

Implemented New Accounting Pronouncements

In August 2018, FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. Effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. This ASU did not have a significant impact on its financial statements.

Relevant Upcoming New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (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 balance sheet for all operating leases greater than 12 months. On April 8, 2020, the FASB voted to defer the effective date of ASU 2016-02 by one additional year. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Management does not anticipate this ASU will have a significant impact on its financial statements.

In January 2018, FASB issued Accounting Standards Update (ASU) 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Management does not anticipate this ASU will have a significant impact on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods

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For the Year Ended June 30, 2021

beginning after June 15, 2021 and should be applied on a retrospective basis. Management does not anticipate this ASU will have a significant impact on its financial statements.

Revenue Concentrations

During the year, contributions without donor restrictions were 58% of total contributions and contributions with restrictions were 42% of total contributions. Contributions in all were 89% of total revenue and support.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through May 25, 2022, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 1,086,233
Promises to give	<u>4,777</u>
Total	<u>\$ 1,091,010</u>

As part of its liquidity management plan, the Organization invest cash in CD's and money market funds.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2021:

Within one year	\$ 313,537
One to five years	<u>209,024</u>
Total promises to give	522,561
Less discount to net present value at .87%	(6,738)
Less allowance for uncollectable promises to give	<u>(2,706)</u>
Promises to give, net	<u>\$ 513,117</u>

The Peninsula College Fund
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 4 - SCHOLARSHIPS PAYABLE

The Scholarships payable per class as of June 30, 2021 is as follows:

Class of	Amount
2017	\$ 30,275
2018	86,129
2019	192,600
2020	303,216
2021	626,001
Total	\$ 1,238,221

NOTE 5 - LOANS PAYABLE

On March 9, 2021, the Organization was issued a \$154,230 U.S. Small Business Administration loan with MUFG Union Bank, bearing interest annually at 1% and maturing on March 9, 2026. This loan was issued under the Paycheck Protection Program and the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization may apply to MUFG Union Bank for loan forgiveness in an amount equal to the sum of payroll costs, interest on a covered mortgage obligation, covered rent obligations, and covered utility payments incurred during the 8-week period or 24-week period beginning on the date of first disbursement. The period must be selected when applying for loan forgiveness. This is a non-recourse loan unless used for unauthorized purposes.

Year Ending June 30	Principal	Interest	Total
2022	26,176	1,187	27,363
2023	31,702	1,136	32,838
2024	32,020	817	32,837
2025	32,342	495	32,837
2026	31,990	170	32,160
Total	\$ 154,230	\$ 3,805	\$ 158,035

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2021:

Net Assets with Donor Restrictions	
Subject to Expenditure for Specified Purpose:	
Scholarships	\$ 485,169
Total Net Assets with Donor Restrictions	\$ 485,169

The Peninsula College Fund
(A California Nonprofit Organization)
Notes to Financial Statements
For the Year Ended June 30, 2021

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended June 30, 2021:

Net Assets Released from Restrictions

Subject to Expenditure for Specified Purpose:

Scholarships	\$ 684,000
PPP loan forgiven	<u>128,615</u>

Total Net Assets Released from Restrictions	<u><u>\$ 812,615</u></u>
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NOTE 7 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and other personnel costs, which are allocated on the basis of total direct programmatic or functional costs.

NOTE 8 - LOAN FORGIVEN

On May 18, 2020, the Organization was issued a \$128,615 U.S. Small Business Administration loan with MUFG Union Bank bearing interest annually at 1% and maturing on May 18, 2025. This loan was issued under the Paycheck Protection Program and the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization initially recorded a loan payable. The Organization did not make any payment during the fiscal year ended June 30, 2020. The loan was subsequently forgiven on March 25, 2021.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The Organization increased beginning unrestricted net assets by \$507,876 to reduce the beginning scholarships payable balance, reflecting the correct amounts owed at the beginning of the fiscal year.

NOTE 10 - COVID 19 FINANCIAL STATEMENT IMPACT

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's contributors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.