

# Cal Poly Pomona Philanthropic Foundation

Reports to the Board of Directors

Year Ended June 30, 2021

# **CAL POLY POMONA PHILANTHROPIC FOUNDATION**

## **Report to the Board of Directors**

Year Ended June 30, 2021

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# **CAL POLY POMONA PHILANTHROPIC FOUNDATION**

## **Executive Summary**

Year Ended June 30, 2021

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To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Cal Poly Pomona Philanthropic Foundation for the year ended June 30, 2021.

### **SIGNIFICANT CONCLUSIONS AND ISSUES**

We have completed our audit and issued our report, dated September 16, 2021. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter for the year ended June 30, 2021.
- We rendered an unmodified opinion on the June 30, 2021 financial statements.
- We identified one condition which we consider to be a significant deficiency in internal controls.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.

September 16, 2021

To the Board of Directors  
Cal Poly Pomona Philanthropic Foundation

We have audited the financial statements of Cal Poly Pomona Philanthropic Foundation (the Philanthropic Foundation) for the year ended June 30, 2021, and have issued our report thereon dated September 16, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter for the year ended June 30, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Philanthropic Foundation are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, management implemented Government Accounting Standards Board No. 84, *Fiduciary Funds*. There was no impact to the beginning net position due to the implementation of this standard. We noted no transactions entered into by the Philanthropic Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance and collectability of pledges receivable which is based on knowledge of donors and historical collections. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value measurement of assets as well as the methods used to determine those values. We evaluated the key factors and assumptions used to develop the fair value measurements to determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosure of fair value measurements in Note 3 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified. Corrected misstatements are included on page 4.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2021 and are included in this report for your reference.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Philanthropic Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to selection as the Philanthropic Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our selection.

#### **Other Matters**

We applied certain limited procedures to management's discussion and analysis (MD&A) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the MD&A and do not express an opinion or provide any assurance on the MD&A.

With respect to the supplementary information accompanying the financial statements, which are not MD&A, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S generally accepted accounting principles and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee and management of Cal Poly Pomona Philanthropic Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Aldrich CPAs + Advisors LLP*  
September 16, 2021

# CAL POLY POMONA PHILANTHROPIC FOUNDATION

## Summary of Corrected Misstatements

June 30, 2021

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To record the prior period adjustment to Alumni association			
74-2610	MARKET GAIN/LOSS	\$ 6,019	\$
75-5030	Investment Income	6,019	
74-5031	DIVIDEND INCOME		6,019
75-2610	MARKET GAIN/LOSS		6,019
<b>Total</b>		<b>12,038</b>	<b>12,038</b>
<b>Adjusting Journal Entries JE # 2</b>			
To record the current year activity for alumni association			
74-1025	CLAIM ON CASH	450,000	
74-5031	DIVIDEND INCOME	104,743	
75-1425	Securities	450,000	
75-2610	MARKET GAIN/LOSS	104,743	
80-1425	Securities	537,837	
80A-1025	CLAIM ON CASH	537,837	
90-1425	Securities	7,692	
90A-1025	CLAIM ON CASH	7,692	
74-1425	SECURITIES		450,000
74-2610	MARKET GAIN/LOSS		104,743
75-1025	CLAIM ON CASH		450,000
75-5030	Investment Income		104,743
77-1425	SECURITIES		7,692
77-1425	SECURITIES		537,837
80-1025	CLAIM ON CASH		537,837
90-1025	CLAIM ON CASH		7,692
<b>Total</b>		<b>2,200,544</b>	<b>2,200,544</b>
<b>Adjusting Journal Entries JE # 3</b>			
Adjust remaining difference in net assets			
74-1128	ACCRUED INCOME	133	
74-2610	MARKET GAIN/LOSS		133
<b>Total</b>		<b>133</b>	<b>133</b>
<b>Adjusting Journal Entries JE # 4</b>			
To revise F74 and 75 for hedge funds			
74-1425	SECURITIES	1,307,069	
74-1425	SECURITIES	1,564,207	
74-2610	MARKET GAIN/LOSS	2,871,276	
77-1128	ACCRUED INCOME	2,871,276	
74-1128	ACCRUED INCOME		2,871,276
74-5035	GAIN ON SALE OF SECURITY		1,307,069
74-5035	GAIN ON SALE OF SECURITY		1,564,207
77-2610	MARKET GAIN/LOSS		2,871,276
<b>Total</b>		<b>\$ 8,613,828</b>	<b>\$ 8,613,828</b>



CalPolyPomona

Philanthropic  
Foundation

September 16, 2021

Aldrich CPAs + Advisors LLP  
7676 Hazard Center Drive, Suite 1300  
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of Cal Poly Pomona Philanthropic Foundation (Philanthropic Foundation), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 16, 2021, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures, leasing arrangements, and amounts receivable and payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Philanthropic Foundation is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

## Information Provided

- 11) We have provided you with—
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Philanthropic Foundation from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Philanthropic Foundation and involves—
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Philanthropic Foundation's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have disclosed to you the identity of the Philanthropic Foundation's related parties and all the related party relationships and transactions of which we are aware.
- 20) The Philanthropic Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) The Philanthropic Foundation has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position other than the subsequent event that was disclosed to you.



- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended, and GASBS No. 84.
- 27) The financial statements include all fiduciary activities required by GASBS No. 84.
- 28) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 29) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 30) Provisions for uncollectible receivables have been properly identified and recorded.
- 31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
- 32) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 33) Deposits, investment securities, and derivative instruments are properly classified as to risk, and investments are properly valued and disclosed.
- 34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 35) Cal Poly Pomona Philanthropic Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Philanthropic Foundation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 26) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 27) With respect to the supplementary information required for submission to California State University System:
  - a) We acknowledge our responsibility for presenting Schedule of Net Position, Schedule of Revenue, Expenses, and Changes in Net Position, and Other Information (schedules) in accordance with accounting principles generally accepted in the United States of America, and we believe the schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 28) We have analyzed the accounting and reporting requirements and the Philanthropic Foundation is required to follow GASB standards.

29) In regard to the nonattest services performed by you, we have-

- a) Assumed all management responsibilities.
- b) Designated and individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.

Signature:           *Doug Nelson*          

Title:           C.O.O.          

Signature:           *Joanna Hawk*          

Title:           CFO