

MASTER TRUST OF CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2021

CONTENTS

Independent Auditors' Report	1-2
Balance Sheet	3
Statement of Trust Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Master Trust of California

Report on the Financial Statements

We have audited the accompanying financial statements of Master Trust of California, a division of Inland Counties Regional Center, Inc. (a nonprofit organization) which comprise of the Balance Sheet as of June 30, 2021, and the related Statements of Trust Activities and Cash Flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Master Trust of California as of June 30, 2021, and the changes in trust liabilities attributable to beneficiaries and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Master Trust of California's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on these financial statements in our report February 25, 2021. In our opinion, the summarized comparative information herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California
March 14, 2022

MASTER TRUST OF CALIFORNIA

BALANCE SHEET

June 30, 2021

With comparative totals at June 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Pooled cash	\$ 3,863,361	\$ 771,417
Pooled investments (Note 4)	20,368,509	19,855,005
Accrued interest and dividend receivable, net	38,040	60,030
Other assets (Note 6)	<u>2,727,378</u>	<u>2,586,293</u>
TOTAL ASSETS	<u><u>\$ 26,997,288</u></u>	<u><u>\$ 23,272,745</u></u>
LIABILITIES		
Accrued liabilities	\$ 173,657	\$ 241,942
Trust liability attributable to beneficiaries	<u>26,823,631</u>	<u>23,030,803</u>
TOTAL LIABILITIES	<u><u>\$ 26,997,288</u></u>	<u><u>\$ 23,272,745</u></u>

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

MASTER TRUST OF CALIFORNIA

STATEMENT OF TRUST ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	2021	2020
CAPITAL ADDITIONS		
Pooled investment earnings (Note 4)	\$ 3,399,137	\$ 595,966
Trust deposits	2,584,249	1,153,034
Other investment earnings	11,340	10,428
TOTAL CAPITAL ADDITIONS	5,994,726	1,759,428
CAPITAL DEDUCTIONS		
Distribution to remainder of beneficiaries	689,758	119,147
Personal expenses	660,662	881,325
Vehicle expenses	120,886	138,064
Professional expenses	120,768	94,165
Real estate expenses	41,292	90,506
Other deductions from trust corpus	31,448	22,676
Total distributions for the benefit of beneficiaries	1,664,814	1,345,883
Trustee fees	537,084	480,470
TOTAL CAPITAL DEDUCTIONS	2,201,898	1,826,353
EXCESS (DEFICIENCY) OF CAPITAL ADDITIONS OVER DEDUCTIONS	3,792,828	(66,925)
TRUST LIABILITY ATTRIBUTABLE TO BENEFICIARIES,		
JUNE 30, 2020 and 2019	23,030,803	23,097,728
JUNE 30, 2021 and 2020	\$ 26,823,631	\$ 23,030,803

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

MASTER TRUST OF CALIFORNIA

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM TRUST ACTIVITIES:		
Change in trust liabilities attributable to beneficiaries	\$ 3,792,828	\$ (66,925)
Adjustments to reconcile change in net deficit to net cash provided (used) by trust activities:		
(Gain) on investments	(3,042,670)	(217,120)
Reinvested dividends and interest, net of fees	(331,547)	(249,111)
(Increase) decrease in operating assets:		
Other assets	(141,085)	12,630
Increase (decrease) in operating liability:		
Accrued expenses	(68,285)	241,942
NET CASH PROVIDED (USED) BY TRUST ACTIVITIES	<u>209,241</u>	<u>(278,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from investments	2,860,713	29,560
Accrued interest and dividend receivable, net	21,990	54,786
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,882,703</u>	<u>84,346</u>
NET INCREASE (DECREASE) IN POOLED CASH	3,091,944	(194,238)
POOLED CASH, BEGINNING OF YEAR	<u>771,417</u>	<u>965,655</u>
POOLED CASH, END OF YEAR	<u>\$ 3,863,361</u>	<u>\$ 771,417</u>

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

MASTER TRUST OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Master Trust of California (“Master Trust”), a division of Inland Counties Regional Center, Inc. was established in 1978 by Inland Counties Regional Center, Inc. to receive property from individuals or other entities (trustors) to be administered for the benefit of specified disabled persons (beneficiaries). Property is admitted as a separate trust into Master Trust upon approval of Inland Counties Regional Center, Inc. the trustee, through Master Trust of California Trust Committee; then by direction of a court order, or the execution of a Joinder and Trust Agreement by a Trustor.

Distribution from a trust is made in accordance with direction by the trustor and are executed by the trustee after approval by the Trust Committee. Termination of a Trust Agreement will occur upon the death of the beneficiary, depletion of the trust assets, according to court order, or at the discretion of the trustor if provided for in the Trust Agreement.

These financial statements present only Master Trust and do not include any financial information of the Inland Counties Regional Center, Inc. as of June 30, 2021 and 2020.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents the assets and trust liabilities attributable to beneficiaries.

Pooled Cash

Master Trust has defined pooled cash as cash in banks and other investment accounts.

Master Trust places their cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Master Trust has not incurred losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pooled Investments

Master Trust values its pooled investments at fair value. Realized and unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Trust Activities as pooled investment earnings.

MASTER TRUST OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Master Trust's investments are exposed to various risks such as market, interest rate, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Master Trust manages its exposure to market risk by diversifying its investments. Exposure to credit risk is managed by investing in fixed income investments with a rating of "A" or higher and no more than 10% of the investment shall be rated below investment grade "BBB", as determined by ratings by Moody's or Standard & Poor's. Exposure to interest rate risk is managed by purchasing a combination of short-term and long-term investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Master Trust is required to measure certain investments at fair value. The specific techniques used to measure fair value for the financial statement element is described in the notes below that relates to the element.

Other Assets

Other assets are stated at fiduciary acquisition value. Fiduciary acquisition value is the fair value as of the date the asset is received into the trust or the cost basis if the asset is purchased. Other assets consisted of assets held by the respective trust at the instruction of the trustor or direction of the trustee.

Capital Additions and Deductions

Capital additions and deductions in the statements of trust activities and trust functional deductions are connected directly to Master Trust's primary functions as mentioned in Note 1. Trust deposits are mainly cash and property received from individuals or other parties for the benefit of specified disabled persons (beneficiaries). Investment earnings are mainly investment income and other revenues generated from the beneficiaries' assets which are administrated by Master Trust.

Distributions are mainly return of assets to the beneficiaries for their personal needs and payments to third parties on behalf of the beneficiaries that are made in accordance with the Trust Agreement. Trustee fees are used by Master Trust for the administration of the trusts.

continued

MASTER TRUST OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Federal and state income tax returns are prepared for separate trusts as necessary.

Use of Estimates

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, capital additions, and capital deductions as of the date and for the period presented. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 14, 2022, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

As of June 30, 2021, the following table shows the total financial assets held by Master Trust and the amounts of those financial assets that could be readily available within one year of the balance sheet date to meet capital deductions.

Pooled cash	\$ 3,863,361
Pooled investments	20,368,509
Accrued interest and dividend receivable, net	<u>38,040</u>
Assets available to meet capital deductions within one year:	<u>\$24,269,910</u>

4. Pooled Investments

Pooled investments at June 30, 2021 consist of the following:

Equities	\$12,165,797
Fixed income	8,046,620
Certificate of deposit	<u>156,092</u>
Total	<u>\$20,368,509</u>

continued

MASTER TRUST OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

4. Pooled Investments, continued

The following table summarizes the maturity of investments with stated maturity dates:

Due in one year or less	\$4,459,462
Due from one to five years	<u>3,587,158</u>
Total	<u>\$8,046,620</u>

Pooled investment earnings for the year ended June 30, 2021 consist of the following:

Interest income	\$ 265,236
Dividend income	174,073
Realized gain on investments	903,999
Unrealized gain investments	2,138,671
Investment fees and charges	<u>(82,842)</u>
Total	<u>\$3,399,137</u>

5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities				
Domestic common and foreign stock	\$ 3,659,340	\$ -	\$ -	\$ 3,659,340
Mutual funds – equity	5,153,849			5,153,849
Exchange traded	<u>3,352,608</u>			<u>3,352,608</u>
Total equities	<u>12,165,797</u>			<u>12,165,797</u>
Fixed income				
Municipal bonds		861,857		861,857
Corporate bonds		2,979,508		2,979,508
U.S. government securities		371,589		371,589
Mutual funds - fixed	<u>3,833,666</u>			<u>3,833,666</u>
Total fixed income	<u>3,833,666</u>	<u>4,212,954</u>		<u>8,046,620</u>
	<u>\$15,999,463</u>	<u>\$4,212,954</u>	<u>\$ -</u>	<u>\$20,212,417</u>

The fair value of equities and fixed income are measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs) and quoted prices in active markets for the same or similar assets (Level 2 inputs).

continued

MASTER TRUST OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

6. Other Assets

Other assets consisted of assets held by separate trusts, which, at the instruction of the trustor or discretion of the trustee, have not been liquidated. These assets are reported at fiduciary acquisition value, which is the estimated fair value at the date of transfer to the trust or cost if purchased. A summary of other assets at June 30, 2021 consist of the following:

Real property	\$1,748,418
Personal property	622,735
Burial policies	344,557
Oil and gas property	<u>11,668</u>
Total	<u>\$2,727,378</u>

Investment earnings from other assets for the year ended June 30, 2021 consist of the following:

Rent income	\$ 6,680
Oil stock income	<u>4,660</u>
Total	<u>\$11,340</u>