

**MASTER TRUST OF CALIFORNIA**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Trustees  
Master Trust of California

### Opinion

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 the Balance Sheet as of June 30, 2022, and the related Statements of Trust Activities, and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Master Trust of California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## INDEPENDENT AUDITORS' REPORT

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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Master Trust of California's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

Pasadena, California  
March 13, 2023

# MASTER TRUST OF CALIFORNIA

## BALANCE SHEET

June 30, 2022

With comparative totals at June 30, 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Pooled cash	\$ 3,517,221	\$ 3,863,361
Pooled investments (Note 4)	18,512,800	20,368,509
Accrued interest and dividend receivable, net	35,189	38,040
Other assets (Note 6)	<u>3,684,326</u>	<u>2,727,378</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,749,536</u></u>	<u><u>\$ 26,997,288</u></u>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 191,419	\$ 173,657
Trust liability attributable to beneficiaries	<u>25,558,117</u>	<u>26,823,631</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 25,749,536</u></u>	<u><u>\$ 26,997,288</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, 2022

With comparative totals for the year ended June 30, 2021

	<u>2022</u>	<u>2021</u>
<b>CAPITAL ADDITIONS</b>		
Trust deposits	\$ 3,201,669	\$ 2,584,249
Other investment earnings	132,079	11,340
Pooled investment (loss) earnings (Note 4)	<u>(2,131,355)</u>	<u>3,399,137</u>
<b>TOTAL CAPITAL ADDITIONS</b>	<u>1,202,393</u>	<u>5,994,726</u>
<b>CAPITAL DEDUCTIONS</b>		
Personal expenses	703,337	660,662
Real estate expenses	617,925	41,292
Distribution to remainder of beneficiaries	316,930	689,758
Professional expenses	127,435	120,768
Vehicle expenses	106,488	120,886
Other deductions from trust corpus	<u>66,553</u>	<u>31,448</u>
Total distributions for the benefit of beneficiaries	<u>1,938,668</u>	<u>1,664,814</u>
Trustee fees	<u>529,239</u>	<u>537,084</u>
<b>TOTAL CAPITAL DEDUCTIONS</b>	<u>2,467,907</u>	<u>2,201,898</u>
<b>(DEFICIENCY) EXCESS OF CAPITAL ADDITIONS OVER DEDUCTIONS</b>	<b>(1,265,514)</b>	<b>3,792,828</b>
<b>TRUST LIABILITY ATTRIBUTABLE TO BENEFICIARIES,</b>		
<b>JUNE 30, 2021 and 2020</b>	<u>26,823,631</u>	<u>23,030,803</u>
<b>JUNE 30, 2022 and 2021</b>	<u>\$ 25,558,117</u>	<u>\$ 26,823,631</u>

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, 2022

With comparative totals for the year ended June 30, 2021

	2022	2021
<b>CASH FLOWS FROM TRUST ACTIVITIES:</b>		
Change in trust liabilities attributable to beneficiaries	\$ (1,265,514)	\$ 3,792,828
Adjustments to reconcile change in net deficit to net cash (used) provided by trust activities:		
Loss (gain) on investments	2,333,589	(3,042,670)
Reinvested dividends and interest, net of fees	(202,234)	(331,547)
(Increase) decrease in operating assets:		
Other assets	(956,948)	(141,085)
Increase (decrease) in operating liability:		
Accrued expenses	17,762	(68,285)
	<b>(73,345)</b>	209,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net proceeds from investments	-	2,860,713
Purchase of investments	(275,646)	-
Accrued interest and dividend receivable, net	2,851	21,990
	<b>(272,795)</b>	2,882,703
<b>NET (DECREASE) INCREASE IN POOLED CASH</b>	<b>(346,140)</b>	3,091,944
<b>POOLED CASH, BEGINNING OF YEAR</b>	<b>3,863,361</b>	771,417
<b>POOLED CASH, END OF YEAR</b>	<b>\$ 3,517,221</b>	3,863,361

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

# MASTER TRUST OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2022 and 2021.

### 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

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### 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.

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# MASTER TRUST OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 13, 2023, 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, 2022, 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	\$ 3,517,221
Pooled investments	18,512,800
Accrued interest and dividend receivable, net	<u>35,189</u>
Assets available to meet capital deductions within one year:	<u>\$22,065,210</u>

### 4. Pooled Investments

Pooled investments at June 30, 2022 consist of the following:

Equities	\$11,278,179
Fixed income	7,087,189
Certificate of deposit	<u>147,432</u>
Total	<u>\$18,512,800</u>

continued

# MASTER TRUST OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### 4. Pooled Investments, continued

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

Due in one year or less	\$5,009,430
Due from one to five years	<u>2,077,759</u>
Total	<u>\$7,087,189</u>

Pooled investment losses for the year ended June 30, 2022 consist of the following:

Interest income	\$ 107,734
Dividend income	174,500
Realized gain on investments	350,830
Unrealized (loss) on investments	(2,684,419)
Investment fees and charges	<u>(80,000)</u>
Total	<u>\$(2,131,355)</u>

### 5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2022 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	\$ 3,192,600	\$ -	\$ -	\$ 3,192,600
Mutual funds – equity	4,911,103			4,911,103
Exchange traded	<u>3,174,476</u>			<u>3,174,476</u>
Total equities	<u>11,278,179</u>			<u>11,278,179</u>
Fixed income				
Municipal bonds		225,594		225,594
Corporate bonds		2,861,017		2,861,017
U.S. government securities		334,488		334,488
Mutual funds – fixed	<u>3,666,090</u>			<u>3,666,090</u>
Total fixed income	<u>3,666,090</u>	<u>3,421,099</u>		<u>7,087,189</u>
	<u>\$14,944,269</u>	<u>\$3,421,099</u>	<u>\$ -</u>	<u>\$18,365,368</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).

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# MASTER TRUST OF CALIFORNIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2022 consist of the following:

Real property	\$2,228,313
Personal property	622,735
Annuity	456,123
Burial policies	300,116
Health equipment	65,371
Oil and gas property	<u>11,668</u>
Total	<u>\$3,684,326</u>

Investment earnings from other assets for the year ended June 30, 2022 consist of the following:

Rent and royalty income	\$ 10,956
Net capital gain of sales of real estate	<u>121,123</u>
Total	<u>\$132,079</u>

### 7. Contingencies

Master Trust's investments are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as pandemic or international conflict. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes may materially affect the investment balances and the amounts reported in the statement of financial position.