

MASTER TRUST OF CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

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, 2023, 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, 2023, 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, including omissions, 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

continued

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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Pasadena, California

March 11, 2024

MASTER TRUST OF CALIFORNIA

BALANCE SHEET

June 30, 2023

With comparative totals at June 30, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Pooled cash	\$ 5,840,986	\$ 3,517,221
Pooled investments (Note 4)	17,916,256	18,512,800
Accrued interest and dividend receivable, net	27,105	35,189
Other assets (Note 6)	<u>4,353,059</u>	<u>3,684,326</u>
TOTAL ASSETS	<u><u>\$ 28,137,406</u></u>	<u><u>\$ 25,749,536</u></u>
LIABILITIES		
Accrued liabilities	\$ 194,667	\$ 191,419
Trust liability attributable to beneficiaries	<u>27,942,739</u>	<u>25,558,117</u>
TOTAL LIABILITIES	<u><u>\$ 28,137,406</u></u>	<u><u>\$ 25,749,536</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, 2023

With comparative totals for the year ended June 30, 2022

	<u>2023</u>	<u>2022</u>
CAPITAL ADDITIONS		
Trust deposits	\$ 3,554,409	\$ 3,201,669
Pooled investment earnings (loss) (Note 4)	1,694,022	(2,131,355)
Other investment earnings	18,200	132,079
	<u>5,266,631</u>	<u>1,202,393</u>
TOTAL CAPITAL ADDITIONS		
	<u>5,266,631</u>	<u>1,202,393</u>
CAPITAL DEDUCTIONS		
Distribution to remainder of beneficiaries	1,170,932	316,930
Personal expenses	734,774	703,337
Professional expenses	137,832	127,435
Real estate expenses	129,989	617,925
Other deductions from trust corpus	122,613	66,553
Vehicle expenses	86,916	106,488
Total distributions for the benefit of beneficiaries	<u>2,383,056</u>	<u>1,938,668</u>
Trustee fees	498,953	529,239
	<u>2,882,009</u>	<u>2,467,907</u>
TOTAL CAPITAL DEDUCTIONS		
	<u>2,882,009</u>	<u>2,467,907</u>
EXCESS (DEFICIENCY) OF CAPITAL ADDITIONS OVER DEDUCTIONS	2,384,622	(1,265,514)
TRUST LIABILITY ATTRIBUTABLE TO BENEFICIARIES,		
JUNE 30, 2022 and 2021	<u>25,558,117</u>	<u>26,823,631</u>
JUNE 30, 2023 and 2022	<u>\$ 27,942,739</u>	<u>\$ 25,558,117</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, 2023

With comparative totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS FROM TRUST ACTIVITIES:		
Change in trust liabilities attributable to beneficiaries	\$ 2,384,622	\$ (1,265,514)
Adjustments to reconcile change in net deficit to net cash provided (used) by trust activities:		
(Gain) loss on investments	(1,293,205)	2,333,589
Reinvested dividends and interest, net of fees	(400,817)	(202,234)
(Increase) decrease in operating assets:		
Other assets	(668,733)	(956,948)
Increase (decrease) in operating liability:		
Accrued expenses	3,248	17,762
	25,115	(73,345)
NET CASH PROVIDED (USED) BY TRUST ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,290,566	-
Purchase of investments	-	(275,646)
Accrued interest and dividend receivable, net	8,084	2,851
	2,298,650	(272,795)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN POOLED CASH	2,323,765	(346,140)
POOLED CASH, BEGINNING OF YEAR	3,517,221	3,863,361
POOLED CASH, END OF YEAR	\$ 5,840,986	\$ 3,517,221

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, 2023 and 2022.

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 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 administered 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 11, 2024, 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, 2023, 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	\$ 5,840,986
Pooled investments	17,916,256
Accrued interest and dividend receivable, net	<u>27,105</u>
Assets available to meet capital deductions within one year	<u>\$23,784,347</u>

4. Pooled Investments

Pooled investments at June 30, 2023 consist of the following:

Equities	\$12,199,058
Fixed income	5,569,670
Certificate of deposit	<u>147,528</u>
Total	<u>\$17,916,256</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	\$4,507,374
Due from one to five years	<u>706,033</u>
Total	<u>\$5,213,407</u>

Pooled investment gain for the year ended June 30, 2023 consist of the following:

Interest income	\$ 97,488
Dividend income	385,298
Realized gain on investments	188,783
Unrealized gain on investments	1,104,422
Investment fees and charges	<u>(81,969)</u>
Total	<u>\$1,694,022</u>

5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 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	\$ 3,819,499	\$ -	\$ -	\$ 3,819,499
Mutual funds – equity	4,844,535			4,844,535
Exchange traded	<u>3,535,024</u>			<u>3,535,024</u>
Total equities	<u>12,199,058</u>			<u>12,199,058</u>
Fixed income				
Municipal bonds		72,367		72,367
Corporate bonds		1,160,315		1,160,315
U.S. government securities		321,254		321,254
Mutual funds – fixed	<u>4,015,734</u>			<u>4,015,734</u>
Total fixed income	<u>4,015,734</u>	<u>1,553,936</u>		<u>5,569,670</u>
	<u>\$16,214,792</u>	<u>\$1,553,936</u>	<u>\$ -</u>	<u>\$17,768,728</u>

The fair value of equities and mutual funds - fixed 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, 2023 consist of the following:

Real property	\$2,888,313
Personal property	579,070
Annuity	456,123
Burial policies	325,984
Health equipment	91,901
Oil and gas property	<u>11,668</u>
Total	<u>\$4,353,059</u>

Investment earnings from other assets for the year ended June 30, 2023 consist of rent and royalty income of \$18,200.

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 balance sheet.