

MASTER TRUST OF CALIFORNIA

FINANCIAL STATEMENTS

June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Master Trust of California

Opinion

We have audited the accompanying financial statements of Master Trust of California, which comprise the balance sheet as of June 30, 2024, and the related statements of capital additions and deductions and changes in trust liability attributable to beneficiaries 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, 2024, and its capital additions and deductions and changes in trust liability attributable to beneficiaries for the year then ended in conformity 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 (GAAS). 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 GAAS 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.

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.

Report on Summarized Comparative Information

A predecessor auditor previously audited Master Trust of California's 2023 financial statements, and they expressed an unmodified opinion on those financial statements in their report dated March 11, 2024.



Long Beach, California
March 20, 2025

MASTER TRUST OF CALIFORNIA
BALANCE SHEET
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

ASSETS

| | June 30, | |
|--|----------------------|----------------------|
| | 2024 | 2023 |
| ASSETS | | |
| Pooled cash | \$ 1,509,646 | \$ 5,840,986 |
| Pooled investments | 23,787,542 | 17,916,256 |
| Accrued interest and dividend receivable | 18,152 | 27,105 |
| Other assets | 6,109,229 | 4,353,059 |
| TOTAL ASSETS | \$ 31,424,569 | \$ 28,137,406 |

LIABILITIES

| | | |
|---|----------------------|----------------------|
| LIABILITIES | | |
| Accrued expenses | \$ 135,982 | \$ 194,667 |
| Trust liability attributable to beneficiaries | 31,288,587 | 27,942,739 |
| TOTAL LIABILITIES | \$ 31,424,569 | \$ 28,137,406 |

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

MASTER TRUST OF CALIFORNIA

**STATEMENT OF CAPITAL ADDITIONS AND DEDUCTIONS AND
CHANGES IN TRUST LIABILITY ATTRIBUTABLE TO BENEFICIARIES
FOR THE YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

| | For the Year Ended June 30, | |
|---|--|---------------|
| | 2024 | 2023 |
| CAPITAL ADDITIONS | | |
| Trust deposits | \$ 4,567,107 | \$ 3,554,409 |
| Pooled investment earnings | 2,149,509 | 1,694,022 |
| Other investment earnings | 31,115 | 18,200 |
| Total Additions | 6,747,731 | 5,266,631 |
| DEDUCTIONS | | |
| Distributions for the benefit of beneficiaries | | |
| Professional fees | 162,937 | 137,832 |
| Real estate expenses | 640,482 | 129,989 |
| Vehicle expenses | 93,241 | 86,916 |
| Personal expenses | 1,076,057 | 734,774 |
| Other | 113,107 | 122,613 |
| Total Distributions for the benefit of beneficiaries | 2,085,824 | 1,212,124 |
| Distributions to remainder beneficiaries | 782,577 | 1,170,932 |
| Total Distributions | 2,868,401 | 2,383,056 |
| Trustee fees | 533,482 | 498,953 |
| Total Deductions | 3,401,883 | 2,882,009 |
| EXCESS OF CAPITAL ADDITIONS OVER DEDUCTIONS | 3,345,848 | 2,384,622 |
| TRUST LIABILITY ATTRIBUTABLE TO BENEFICIARIES: | | |
| BEGINNING OF YEAR | 27,942,739 | 25,558,117 |
| END OF YEAR | \$ 31,288,587 | \$ 27,942,739 |

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, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

| | For the Year Ended June 30, | |
|---|--------------------------------|---------------------|
| | 2024 | 2023 |
| CASH FLOWS FROM TRUST ACTIVITIES: | | |
| Change in trust liabilities attributed to beneficiaries | \$ 3,345,848 | \$ 2,384,622 |
| Adjustments to reconcile change in net deficit to net cash provided (used) by trust activities: | | |
| Unrealized and realized gain on investments | (1,549,862) | (1,293,205) |
| Reinvested dividends and interest, net of fees | (599,647) | (400,817) |
| (Increase) decrease in operating assets and liabilities: | | |
| Other assets | (1,756,170) | (668,733) |
| Accrued expenses | (58,685) | 3,248 |
| Net Cash (Used In) Provided By Trust Activities | (618,516) | 25,115 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 1,876,383 | 2,290,566 |
| Purchase of investments | (5,598,160) | - |
| Accrued interest and dividend receivable, net | 8,953 | 8,084 |
| Net Cash (Used In) Provided By Investing Activities | (3,712,824) | 2,298,650 |
| NET (DECREASE) INCREASE IN POOLED CASH | (4,331,340) | 2,323,765 |
| POOLED CASH, BEGINNING OF YEAR | 5,840,986 | 3,517,221 |
| POOLED CASH, END OF YEAR | \$ 1,509,646 | \$ 5,840,986 |

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

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of the Trust

Master Trust of California (Master Trust) 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 developmentally disabled persons (beneficiaries). Property is admitted as a separate trust into Master Trust upon approval of Inland Counties Regional Center, Inc., the trustee, through the 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.

Distributions from a trust are made in accordance with the direction of the Master Trust of California 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 according to the trust document.

NOTE 2 – Significant Accounting Policies

Basis of Accounting

The financial statements of Master Trust are prepared on the accrual basis of accounting which presents the assets and liabilities attributable to beneficiaries.

Pooled Cash

Master Trust maintains its cash in bank deposit and other investment accounts which may, at times, exceed federally insured limits. Master Trust has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on pooled cash.

Investment Valuation

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the balance sheet. Investment income or loss, as well as realized and unrealized gains and losses, are included in investment earnings in the statement of capital additions and deductions and changes in trust liability attributable to beneficiaries.

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Significant Accounting Policies (Continued)

Investment Valuation (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, mid-term, and long-term investments.

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 statement of capital additions and deductions and changes in trust liabilities attributable to beneficiaries are connected directly to the 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 developmentally 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 the 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 direction of the Master Trust of California Trust Committee. Trustee fees are used for the administration of the trusts.

Income Taxes

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

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events from the balance sheet date through March 20, 2025, the date the financial statements were available to be issued for the year ended June 30, 2024, and except as noted above, determined there are no other items to disclose.

NOTE 3 – Investments and Fair Value Measurements

Financial Accounting Standards Board's (FASB) codification Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Master Trust has the ability to access.
- Level 2** Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability; and
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 3 – Investments and Fair Value Measurements (Continued)

The investment’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, Master Trust’s assets at fair value as of June 30, 2024:

| | Assets as of Fair Value as of June 30, 2024 | | | |
|----------------------------|--|-------------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities | \$ 4,246,794 | \$ - | \$ - | \$ 4,246,794 |
| Mutual funds | 8,346,778 | - | - | 8,346,778 |
| Bonds | - | 391,995 | - | 391,995 |
| Exchange traded funds | 10,477,054 | - | - | 10,477,054 |
| Government securities | - | 324,921 | - | 324,921 |
| | | | | |
| Total assets at fair value | <u>\$ 23,070,626</u> | <u>\$ 716,916</u> | <u>\$ -</u> | <u>\$ 23,787,542</u> |

The following summarizes the maturity of investments with stated maturity dates at June 30, 2024:

| | |
|-------------------------|----------------------|
| Due in one year or less | \$ 23,389,375 |
| Due in one to five year | <u>398,167</u> |
| | |
| Total | <u>\$ 23,787,542</u> |

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 3 – Investments and Fair Value Measurements (Continued)

The following summarizes the pooled investment earnings for the year ended June 30, 2024:

| | |
|--------------------------------------|-------------------------|
| Interest income | \$ 42,025 |
| Dividend income | 645,120 |
| Net unrealized gain on investments | 188,559 |
| Realized gain on sale of investments | 1,361,303 |
| Fees | <u>(87,498)</u> |
| Total | <u>\$ 2,149,509</u> |

NOTE 4 – 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 as of June 30, 2024 is as follows:

| | |
|------------------|-------------------------|
| Real property | \$ 4,581,965 |
| Vehicle | 609,306 |
| Annuity | 456,123 |
| Burial policies | 356,875 |
| Health Equipment | 100,046 |
| Miscellaneous | <u>4,914</u> |
| | <u>\$ 6,109,229</u> |

MASTER TRUST OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 4 – Other Assets (Continued)

The following schedule summarizes the other investment earnings for the year ended June 30, 2024:

| | |
|----------------|------------------|
| Rental income | \$ 15,400 |
| Annuity income | <u>15,715</u> |
| | <u>\$ 31,115</u> |