



Report of Independent Auditors and
Consolidated Financial Statements

Orange County Community Foundation

June 30, 2024 with Summarized Comparative
Information for June 30, 2023

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Report of Independent Auditors

The Board of Governors
Orange County Community Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Orange County Community Foundation and its supporting organizations, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Orange County Community Foundation and its supporting organizations as of June 30, 2024, and the changes in their net assets and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orange County Community Foundation and its supporting organizations 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 consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Community Foundation and its supporting organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Orange County Community Foundation and its supporting organizations' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Community Foundation and its supporting organizations' 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

We have previously audited Orange County Community Foundation and its supporting organizations' June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information Included in the Annual Report

Management is responsible for the other information included in Orange County Community Foundation's annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

Irvine, California
October 9, 2024

Consolidated Financial Statements

Orange County Community Foundation
Consolidated Statement of Financial Position
June 30, 2024
(with Summarized Comparative Information for 2023)

	June 30, 2024			June 30, 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
ASSETS				
Cash and cash equivalents	\$ 108,840,000	\$ -	\$ 108,840,000	\$ 86,568,000
Investments	360,979,000	188,241,000	549,220,000	455,160,000
Contributions receivable, net	12,629,000	10,610,000	23,239,000	18,855,000
Land, building, and equipment, net	3,797,000	-	3,797,000	3,721,000
Operating lease right-of-use asset	4,791,000	-	4,791,000	5,230,000
Other assets	4,923,000	461,000	5,384,000	5,394,000
Total assets	\$ 495,959,000	\$ 199,312,000	\$ 695,271,000	\$ 574,928,000
LIABILITIES				
Grants payable	\$ 14,143,000	\$ -	\$ 14,143,000	\$ 12,414,000
Accounts payable and accrued liabilities	790,000	-	790,000	809,000
Pledges payable, net	1,544,000	-	1,544,000	1,944,000
Mortgage and notes payable	2,246,000	-	2,246,000	2,293,000
Operating lease liability	5,076,000	-	5,076,000	5,404,000
Due to other agencies	7,801,000	-	7,801,000	7,385,000
Total liabilities	31,600,000	-	31,600,000	30,249,000
NET ASSETS				
Total net assets	464,359,000	199,312,000	663,671,000	544,679,000
Total liabilities and net assets	\$ 495,959,000	\$ 199,312,000	\$ 695,271,000	\$ 574,928,000

See accompanying notes.

Orange County Community Foundation
Consolidated Statement of Activities
Year Ended June 30, 2024

(with Summarized Comparative Information for the Year Ended June 30, 2023)

	Year Ended June 30, 2024			Year Ended June 30, 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Contributions of cash and other financial assets	\$ 157,979,000	\$ 1,343,000	\$ 159,322,000	\$ 113,646,000
Contributions of nonfinancial assets	356,000	-	356,000	-
Investment income, net	35,128,000	18,020,000	53,148,000	37,375,000
Other income	611,000	-	611,000	659,000
Net assets released from restriction	7,271,000	(7,271,000)	-	-
Total revenue and support	201,345,000	12,092,000	213,437,000	151,680,000
EXPENSES				
Program services				
Grants and scholarships	85,933,000	-	85,933,000	102,634,000
Special projects	1,060,000	-	1,060,000	840,000
Other program expenses	3,040,000	-	3,040,000	3,062,000
Total program services	90,033,000	-	90,033,000	106,536,000
Supporting services				
General and administrative	2,977,000	-	2,977,000	2,551,000
Fundraising and development	1,435,000	-	1,435,000	1,431,000
Total supporting services	4,412,000	-	4,412,000	3,982,000
Total expenses	94,445,000	-	94,445,000	110,518,000
CHANGE IN NET ASSETS	106,900,000	12,092,000	118,992,000	41,162,000
NET ASSETS				
Beginning of year	357,459,000	187,220,000	544,679,000	503,517,000
End of year	<u>\$ 464,359,000</u>	<u>\$ 199,312,000</u>	<u>\$ 663,671,000</u>	<u>\$ 544,679,000</u>

See accompanying notes.

Orange County Community Foundation
Consolidated Statement of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Changes in net assets	\$ 118,992,000	\$ 41,162,000
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	461,000	298,000
Net realized and unrealized gains on investments	(43,790,000)	(31,696,000)
Non-cash contributions of real estate and other assets	(1,271,000)	-
Contributions restricted for endowments	(1,343,000)	(15,167,000)
Amortization of operating lease right-of-use asset	439,000	72,000
Changes in operating assets and liabilities		
Contributions receivable, net	(4,384,000)	(12,997,000)
Other assets	10,000	347,000
Grants payable	1,729,000	(325,000)
Accounts payable and accrued liabilities	(19,000)	(70,000)
Pledges payable, net	(400,000)	(290,000)
Operating lease liability	(328,000)	102,000
Due to other agencies	416,000	(1,080,000)
Net cash provided by (used in) operating activities	70,512,000	(19,644,000)
INVESTING ACTIVITIES		
Purchases of investments	(163,809,000)	(149,950,000)
Proceeds from sale of investments	113,375,000	142,581,000
Proceeds from sale of closely-held real estate investments	1,435,000	28,232,000
Purchases of land, building, and equipment	(537,000)	(813,000)
Net cash (used in) provided by investing activities	(49,536,000)	20,050,000
FINANCING ACTIVITIES		
Contributions restricted for endowments	1,343,000	15,167,000
Payments on mortgage and notes payable	(47,000)	(93,000)
Net cash provided by financing activities	1,296,000	15,074,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,272,000	15,480,000
CASH AND CASH EQUIVALENTS		
Beginning of year	86,568,000	71,088,000
End of year	\$ 108,840,000	\$ 86,568,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid or (refunded) during the year for		
Interest	\$ 112,000	\$ 116,000
Taxes	\$ (36,000)	\$ 31,000
Lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 5,371,000
Non-cash investing and financing activities		
Contributions of securities and real estate	\$ 22,357,000	\$ 23,549,000
Redemption of investments with other securities	\$ -	\$ 24,023,000

See accompanying notes.

Orange County Community Foundation Notes to Consolidated Financial Statements

Note 1 – Description of the Community Foundation

The Orange County Community Foundation (the Community Foundation) is a publicly supported, not-for-profit organization that incorporated in the state of California in September 1989. The Community Foundation serves as a partner and resource to not-for-profit organizations and donors improving the quality of life in Orange County and those who want to give back locally, nationally, and internationally.

The Community Foundation established the OCCF Supporting Organization and Orange County Shared Spaces Foundation (its Supporting Organizations), which are under the Community Foundation's effective control and are consolidated for financial statement purposes.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared using the accrual basis of accounting.

Principles of consolidation – The accompanying consolidated financial statements include the financial statements of the Community Foundation and its Supporting Organizations listed in Note 1 above. Inter-organizational transactions and balances have been eliminated in consolidation.

Prior-year information – The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Community Foundation's consolidated financial statements for the year ended June 30, 2023 from which the summarized information was derived.

Income taxes – The Community Foundation and its Supporting Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Code. The Community Foundation and its Supporting Organizations are required to report unrelated business income as defined under IRC Sections 511 through 515. The Community Foundation and its Supporting Organizations report unrelated business income tax expense when paid. For the year ended June 30, 2024, the Community Foundation and its Supporting Organizations received a refund for unrelated business income tax of \$36,000. Unrelated business income tax expense for the year ended June 30, 2023 was \$31,000.

The Community Foundation and its Supporting Organizations do not have any material uncertain tax positions. The Community Foundation and its Supporting Organizations file informational organization returns and applicable unrelated business income tax returns in the United States federal jurisdiction and with the Franchise Tax Board in the state of California.

Cash and cash equivalents – The Community Foundation and its Supporting Organizations consider all highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents.

Orange County Community Foundation Notes to Consolidated Financial Statements

Description of net assets – Contributions of cash and other assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed time restrictions or restrictions as to use. The bylaws of the Community Foundation include a variance provision giving the Board of Governors (the Board) the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of approval of the donor), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

The Board has designated net assets without donor restrictions for the following uses:

Designated for donor-advised grants – Funds designated for donor-advised grants are available for distribution upon recommendation by the donor.

Designated for discretionary grants – Amounts from annual appropriations of board-designated endowments and gifts without donor restrictions designated by the Board to provide perpetual support for community grant-making.

Net assets with donor restrictions – Net assets subject to donor-imposed time restrictions or restrictions as to use or requirements in which the corpus be maintained in perpetuity (endowment funds). The accumulation of assets above historic gift value in endowment funds is classified as with donor restrictions until appropriated for use based on the Community Foundation's spending policy. Expirations of restrictions on net assets (i.e., the stipulated time period has elapsed) are reported as assets released from restriction. Contributions with donor restrictions that are met in the same year have been recorded as contributions without donor restrictions on the accompanying consolidated statement of activities.

Investments – Investments are presented in the consolidated financial statements at fair value.

Realized and unrealized gains and losses on investments are reflected in the consolidated statement of activities as investment income (loss) net of external expenses associated with the management of investments.

The fair value of fixed income investments is based on quoted prices in active markets for identical assets, or, if there are no such active markets, the fixed income investments are valued using quoted prices for similar assets or quoted prices in markets that are not active. Fixed income mutual funds, domestic equity securities, and mutual funds that hold equity securities are based on quoted prices in active markets for identical assets.

Alternative investments include limited partnerships, private equity funds, and interests in closely-held entities. The fair values of the limited partnerships and private equity funds are based on the net asset value (NAV) of the fund and the Community Foundation's shares/ownership interest in the respective fund. The fair value of interests in closely-held entities is based on appraisals and management's review and assessment of current financial statements of the entities that manage the respective investments.

Orange County Community Foundation

Notes to Consolidated Financial Statements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of marketable debt and equity securities are based on quoted market prices from national security exchanges. The fair value hierarchy requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value. An investment's categorization is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs are used to measure fair value of financial instruments:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Certain investments that are measured at fair value using the NAV per share (or the equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables in Note 4 are intended to permit the reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position. Investments measured at fair value using NAV include limited partnerships and private equity funds. NAV amounts provided by external investment managers are adjusted for receipts and disbursements of cash and securities to the most recently available NAV date.

The Community Foundation believes the carrying amounts of these financial instruments are a reasonable estimate of their fair value. For those investments that are not traded on a ready market, the estimated fair values may differ from the values that would have been used had a ready market for those investments existed.

Land, building, and equipment – Land, building, and equipment are stated at cost. Land, building, and equipment purchased at a cost of \$1,000 or more are capitalized. Depreciation for building and equipment has been provided using the straight-line method over the estimated useful life, which ranges from 5–39 years.

Impairment of long-lived assets – The Community Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Leases – The Community Foundation recognizes a lease liability and a right-of-use (ROU) asset for all leases, including operating leases, with an expected term greater than 12 months on its consolidated statement of financial position.

Orange County Community Foundation Notes to Consolidated Financial Statements

The Community Foundation determines if an agreement is a lease at inception. The ROU asset represents the Community Foundation's right to use an underlying asset for the lease term and a lease liability is recognized on the Community Foundation's consolidated statement of financial position at commencement date. The lease liability is determined on the present value of the future minimum rental payments. The Community Foundation has elected the practical expedient option to use the applicable risk-free rate based on the information available at lease commencement in determining the present value of future payments and the practical expedient option to not separate leases and non-lease components on real estate leases where the Community Foundation is the lessee.

The Community Foundation's operating leases also provide for payment of operating expenses, such as common area charges, utilities, real estate taxes, and other executory costs. These costs are separate from the minimum rent payment and are not considered in the determination of the lease liability and ROU asset.

Grants and pledges payable – Grants and pledges payable represent unconditional commitments to other organizations that have been authorized prior to year end but remain unpaid at June 30, 2024 or 2023. Conditional grants and pledges are expensed and considered payable in the period the conditions are substantially satisfied. The Community Foundation had \$750,000 of conditional grants and pledges payable at June 30, 2024 and had no conditional grants and pledges payable at June 30, 2023.

Due to other agencies – The Community Foundation accepts funds from unrelated not-for-profit organizations that desire to have the Community Foundation serve as the charitable steward for their endowment fund. A liability is recorded at the estimated fair value of assets deposited with the Community Foundation by not-for-profit organizations.

Revenue recognition – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized as contributions receivable when the promise is made at fair value based on discounted cash flows. Amortization of the discounts is included in contributions on the accompanying consolidated statement of activities. Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at fair value using a current appraisal on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the mean of the quoted market price on the date the donation is received.

Contributions receivable – Contributions receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. At June 30, 2024, approximately \$13,163,000 of contributions receivable are expected to be collected within one year, \$10,000,000 is expected to be collected within two years, and the balance of \$76,000 is expected to be collected after five years. At June 30, 2023, approximately \$8,775,000 of contributions receivable were expected to be collected within one year, \$10,000,000 was expected to be collected within two years, and the balance of \$80,000 was expected to be collected after five years. The Community Foundation estimates an allowance for uncollectible contributions receivable to reflect the difference between the amortized cost basis of the financial asset and the estimated cash flows expected to be collected. The allowance is updated at each reporting period to reflect changes in the Community Foundation's estimate of the expected uncollectible amounts. Management has determined that no allowance for uncollectible amounts was necessary as of June 30, 2024 and 2023.

Orange County Community Foundation Notes to Consolidated Financial Statements

The Community Foundation considers contributions receivable collectable within one year and that have no purpose restrictions to be without donor restriction.

Donor advised funds – The Community Foundation permits donor advisors to recommend allocation of their fund between a money market pool and approved investments. The asset allocation of any individual fund reflects the donors' recommendations.

Special projects – Special projects expense represents charitable activities managed by the Community Foundation, often on behalf of donors who request that the Community Foundation exercise a heightened level of oversight regarding such expenditures.

Functional allocation of expenses – Expenses incurred by the Community Foundation which apply to more than one functional category are allocated as follows:

- Program services – Includes awarded grants, support, and education to other not-for-profit organizations, research on the local not-for-profit field, and philanthropic leadership;
- General and administrative – Includes expenses that benefit the Community Foundation as an entity, governance, management, and administration; and
- Fundraising and development – Includes originating and stewarding relationships with donors.

Expenses are allocated on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on time spent on these functions by specified employees as estimated by management. Occupancy, technology, and other operating expenses are allocated on the basis of headcount. All other costs are charged directly to the appropriate functional category.

Use of estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting pronouncements – In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduced a new accounting model for estimating credit losses on financial assets, including accounts receivable and contract assets. The new model, known as the Current Expected Credit Loss (CECL) model, was adopted by the Community Foundation on July 1, 2023. The standard does not apply to the Community Foundation's contributions receivable. The adoption resulted in a change in the Community Foundation's accounting policy for credit losses, as it requires a forward-looking approach to estimating expected credit losses, rather than the previous incurred loss model. The Community Foundation has implemented the CECL standard using a modified retrospective approach, which requires the cumulative effect of the change in accounting policy to be recognized as an adjustment to the opening balance of net assets as of the date of adoption if material; however, the adoption of the CECL standard did not have a material impact on the Community Foundation's financial position, changes in net assets, or cash flows.

Orange County Community Foundation Notes to Consolidated Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Community Foundation and its Supporting Organizations recognize in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued. The Community Foundation and its Supporting Organizations have evaluated subsequent events through October 9, 2024, which is the date the consolidated financial statements are available for issuance.

Note 3 – Concentrations of Risk

Cash and cash equivalents – In the regular course of business, the Community Foundation may maintain balances in bank accounts in excess of the federally insured limits. The Community Foundation has not experienced any losses in such accounts.

Major contributions – For the years ended June 30, 2024 and 2023, contributions from the three largest donors each year represented 53 and 33 percent, respectively, of total contributions.

Investments – Investments are exposed to various risks, such as interest rates, market, and credit risk. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations, and regular communication with investment managers. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the consolidated financial statements.

To address market risk of investments, the Community Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and requires regular review of the investment managers' performance. Investments are managed by multiple investment managers who have responsibility for investing funds using various types of investment strategies. An external investment consultant is also utilized.

Orange County Community Foundation Notes to Consolidated Financial Statements

Note 4 – Investments and Fair Value Disclosures

Investments at fair value consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Fixed income investments	\$ 75,335,000	\$ 41,062,000
Domestic equity securities	58,754,000	42,142,000
Mutual funds – equity securities	58,261,000	33,112,000
Alternative investments	<u>356,870,000</u>	<u>338,844,000</u>
Total investments	<u>\$ 549,220,000</u>	<u>\$ 455,160,000</u>

Investment income, net of related expenses, consisted of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Net realized and unrealized gains	\$ 43,790,000	\$ 31,696,000
Net interest and dividends	<u>9,358,000</u>	<u>5,679,000</u>
Total investment income, net	<u>\$ 53,148,000</u>	<u>\$ 37,375,000</u>

See Note 2 for the valuation methodologies used for assets measured at fair value on a recurring basis and reflected in the accompanying consolidated statement of financial position.

The following table presents the investments carried at fair value on the accompanying consolidated statement of financial position at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Measured at Net Asset Value (or Equivalent)</u>	<u>Total</u>
Fixed income securities					
Mutual funds	\$ 66,714,000	\$ -	\$ -	\$ -	\$ 66,714,000
Government notes and bonds	4,285,000	-	-	-	4,285,000
Corporate bonds	4,336,000	-	-	-	4,336,000
Domestic equity securities	58,754,000	-	-	-	58,754,000
Mutual funds – equity securities					
Domestic	38,162,000	-	-	-	38,162,000
International	20,099,000	-	-	-	20,099,000
Alternative investments					
Limited partnerships	-	-	-	244,871,000	244,871,000
Private equity funds	-	-	-	97,872,000	97,872,000
Closely-held entities	-	-	14,127,000	-	14,127,000
Total	<u>\$ 192,350,000</u>	<u>\$ -</u>	<u>\$ 14,127,000</u>	<u>\$ 342,743,000</u>	<u>\$ 549,220,000</u>

Orange County Community Foundation Notes to Consolidated Financial Statements

The following table presents the investments carried at fair value on the accompanying consolidated statement of financial position at June 30, 2023:

	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value (or Equivalent)	Total
Fixed income securities					
Mutual funds	\$ 32,023,000	\$ -	\$ -	\$ -	\$ 32,023,000
Government notes and bonds	6,004,000	-	-	-	6,004,000
Corporate bonds	3,035,000	-	-	-	3,035,000
Domestic equity securities	42,142,000	-	-	-	42,142,000
Mutual funds – equity securities					
Domestic	24,226,000	-	-	-	24,226,000
International	8,886,000	-	-	-	8,886,000
Alternative investments					
Limited partnerships	-	-	-	232,474,000	232,474,000
Private equity funds	-	-	-	91,498,000	91,498,000
Closely-held entities	-	-	14,872,000	-	14,872,000
Total	<u>\$ 116,316,000</u>	<u>\$ -</u>	<u>\$ 14,872,000</u>	<u>\$ 323,972,000</u>	<u>\$ 455,160,000</u>

The following table presents the summary of changes in the fair value of Level 3 investments for the years ended June 30, 2024 and 2023:

	Closely-Held Entities
Balance, July 1, 2022	\$ 66,347,000
Net realized losses	(2,000)
Net unrealized gains	780,000
Distributions	<u>(52,253,000)</u>
Balance, June 30, 2023	14,872,000
Contributions	731,000
Net realized losses	(130,000)
Distributions	<u>(1,346,000)</u>
Balance, June 30, 2024	<u>\$ 14,127,000</u>

The Community Foundation redeemed its investment of \$51.6 million in Class A shares in a partnership during the year ended June 30, 2023.

Total net realized and unrealized gains and losses on Level 3 investments held at year end are included in net investment income in the consolidated statement of activities.

Orange County Community Foundation Notes to Consolidated Financial Statements

The nature and risk of investments at June 30, 2024 for which fair value is based on NAV are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships (a)	\$ 139,871,000	\$ -	Monthly	5–60 Days
	26,641,000	-	Semi-Monthly	6 Days
	23,628,000	-	Quarterly	60–180 Days
	22,676,000	-	Weekly	3–5 Days
	15,121,000	-	Daily	0 Days
	6,786,000	-	5-Year Lockup, 5% Annually thereafter	90-150 Days
	6,595,000	290,000	3-Year Lockup, over 3 years thereafter	90–180 Days
	3,320,000	-	1-Year Lockup, 25% Quarterly thereafter	60 Days
	233,000	-	At General Partner's Discretion	N/A
	<u>244,871,000</u>	<u>290,000</u>		
Private equity funds (b)	<u>97,872,000</u>	<u>49,276,000</u>	Upon Dissolution of Partnership	N/A
	<u>\$ 342,743,000</u>	<u>\$ 49,566,000</u>		

The strategies of investments in limited partnerships are summarized as follows at June 30, 2024:

	Percentage of Fair Value
U.S. equity	25%
International equity	19%
Diversifiers – low-equity beta and growth oriented	15%
Emerging markets equity	14%
U.S. and global fixed income	11%
Global equity	10%
Marketable real assets	6%
	<u>100%</u>

The fair values of the investments in this class have been estimated using the NAV per share of the investments.

Orange County Community Foundation Notes to Consolidated Financial Statements

The strategies of investments in private equity funds are summarized as follows at June 30, 2024:

	Percentage of Fair Value
Buyouts, distressed, secondaries, special situations, and credit strategy	48%
Venture and growth capital	22%
Private energy, minerals, mining, and life contingent assets	18%
Private real estate	12%
	100%

The fair values of the investments in this class have been estimated using the NAV of the Community Foundation's ownership interest in the total partners' capital of the fund. Assets are purchased and sold within the limited partnership as deemed beneficial to the partnership. Current distributions are utilized to offset capital calls, if any, and the balance is distributed to the limited partners. There are no early withdrawals. It is estimated that the underlying assets of 54 percent of this class will be liquidated over the next two to five years and the balance within the next 10 to 15 years.

The significant unobservable inputs related to material categories of Level 3 investments at June 30, 2024 are as follows:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Closely-held entities (a)	\$ 14,127,000	Company Valuation, Market Comparables, or Income Approach	Company Financials, General Partners' Estimates, or Market Yield	N/A*

* Not included due to the wide range of possible values given the diverse nature of the underlying investments.

(a) This class includes minority interests in closely-held entities in the real estate and nutrition sectors. Approximately 35 percent represents an investment in Section 8 Property (low income housing). This investment will be liquidated upon refinance or sale of the property. The estimated timeframe for liquidation of this asset is one to two years. Approximately 29 percent of this class represents a limited partnership interest in eight apartment complexes in California with an estimated timeframe for liquidation of greater than 10 years. Approximately 18 percent represents Seed I Preferred Stock in a company that markets organic dietary and nutritional supplements with an estimated timeframe for liquidation of less than 10 years. Approximately 14 percent represents preferred membership interest in a company that owns and renovates properties that serve homeless individuals and families throughout Southern California with an estimated timeframe for liquidation of less than 10 years. The balance of this class, approximately four percent, represents a minority interest in an affordable housing investment fund.

Orange County Community Foundation
Notes to Consolidated Financial Statements

Note 5 – Land, Building, and Equipment

Land, building, and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Land and improvements	\$ 560,000	\$ 560,000
Building and improvements	4,071,000	4,377,000
Furniture and equipment	1,551,000	1,153,000
	6,182,000	6,090,000
Less: Accumulated depreciation	(2,385,000)	(2,369,000)
Land, building, and equipment, net	\$ 3,797,000	\$ 3,721,000

Depreciation expense for the years ended June 30, 2024 and 2023 was \$461,000 and \$298,000, respectively.

Note 6 – Pledges Payable

Pledges payable, discounted to net present value, at June 30, 2024 consisted of approved pledge commitments that are expected to be paid during the following years ending June 30:

Years Ending June 30,	
2025	\$ 460,000
2026	390,000
2027	240,000
2028	240,000
2029	150,000
Thereafter	150,000
	1,630,000
Less: net present discount	(86,000)
Pledges payable, net	\$ 1,544,000

Pledges payable have been discounted to net present value using risk-free rates of return ranging from 0.27–4.57 percent determined at year of origination of the pledges.

Orange County Community Foundation Notes to Consolidated Financial Statements

Note 7 – Mortgage and Notes Payable

The mortgage note payable includes a \$2.5 million note with a bank on a building owned by Orange County Shared Spaces Foundation. The mortgage has a balloon payment due June 1, 2028, bears interest at the rate of 4.9 percent per annum, is amortized over 30 years, and is payable in monthly installments of principal and interest of \$13,000. The mortgage note payable is secured by the deed of trust and assignment of rents on the building. The balance outstanding at June 30, 2024 and 2023 was \$2,246,000 and \$2,293,000, respectively.

In June 2013, the Orange County Shared Spaces Foundation entered into a note payable for \$500,000 on its building of which \$400,000 is owed equally by two members of its Board of Directors and \$100,000 is payable to the Community Foundation. The note payable was paid in full during the year ended June 30, 2023.

At June 30, 2024, future annual principal payments under the mortgage and notes payable for the years ending June 30 are as follows:

Years Ending June 30,	
2025	\$ 50,000
2026	53,000
2027	55,000
2028	<u>2,088,000</u>
Mortgage and notes payable	<u><u>\$ 2,246,000</u></u>

Interest expense for the years ended June 30, 2024 and 2023 was \$112,000 and \$116,000, respectively.

Orange County Community Foundation Notes to Consolidated Financial Statements

Note 8 – Net Assets

Net assets are comprised of the following at June 30, 2024 and 2023:

	2024	2023
Without donor restrictions		
Designated for donor-advised grants	\$ 458,107,000	\$ 351,511,000
Designated for discretionary grants	4,563,000	3,832,000
Undesignated	1,689,000	2,116,000
Total without donor restrictions	464,359,000	357,459,000
With donor restrictions		
Restricted in perpetuity – endowment	156,697,000	154,038,000
Restricted and subject to the Community Foundation's spending policy	42,656,000	33,271,000
Restricted for the passage of time	6,000	6,000
Endowment funds with deficiencies	(47,000)	(95,000)
Total with donor restrictions	199,312,000	187,220,000
Total net assets	\$ 663,671,000	\$ 544,679,000

Net assets with donor restrictions – The Board of the Community Foundation has determined it holds assets which meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result of this interpretation, the corpus of endowment funds subject to UPMIFA is classified as net assets with donor restrictions. The corpus represents the fair value of the original gifts as of the gift date and all subsequent gifts where the donor has indicated the gift be retained in perpetuity. The value of assets in excess of original gifts in donor-restricted endowment funds are also classified as net assets with donor restrictions until appropriated for expenditure by the Community Foundation.

From time to time, certain donor-restricted endowment funds may have fair values below historic gift value. At June 30, 2024, the Community Foundation had endowment funds with deficiencies with an original fair value of \$731,000 at the date of the gift and a current fair value of \$684,000. At June 30, 2023, the Community Foundation had endowment funds with deficiencies with an original fair value of \$2,897,000 at the date of the gift and a current fair value of \$2,802,000. Deficiencies between original fair values and current fair values are reflected in net assets with donor restrictions on the accompanying consolidated statement of financial position.

The Community Foundation considers the following factors in making a determination as to the appropriation of assets for expenditure: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community Foundation, and (7) the investment policy of the Community Foundation.

Orange County Community Foundation Notes to Consolidated Financial Statements

The Community Foundation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for operations and granting while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective.

The investment policy establishes a reasonable return objective through diversification of asset classes. Under the investment policy, as approved by the Board, the endowed assets are invested in a manner which attempts to achieve, after fees and expenses, a reasonable rate of return consistent with the risk levels established by the Investment Committee for all endowed assets held in perpetuity. To accomplish the long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The spending policy determines the amount of money to be distributed annually from the Community Foundation's various endowed funds for grant-making and operational support. The Community Foundation has a policy of appropriating for distribution as of January 1 of each year. The Community Foundation's Board approved a spending policy of 4.5 percent of its endowed assets' average fair value over the prior 16 quarters for 2024 and 2023. In establishing these policies, the Community Foundation considered the long-term expected return on its endowed assets.

The Community Foundation expects the current spending policy to maintain the purchasing power of the endowed assets as well as to provide stable support to the community.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ 23,868,000	\$ 165,109,000	\$ 188,977,000
Contributions	-	15,167,000	15,167,000
Investment income, net of fees	4,909,000	10,296,000	15,205,000
Amounts appropriated for expenditure	7,604,000	(7,604,000)	-
Grants and scholarships paid	(9,282,000)	-	(9,282,000)
Redesignations	2,199,000	4,246,000	6,445,000
Endowment net assets, June 30, 2023	29,298,000	187,214,000	216,512,000
Contributions	-	1,343,000	1,343,000
Investment income, net of fees	4,855,000	18,020,000	22,875,000
Amounts appropriated for expenditure	8,635,000	(8,635,000)	-
Grants and scholarships paid	(14,215,000)	-	(14,215,000)
Redesignations	4,160,000	1,364,000	5,524,000
Endowment net assets, June 30, 2024	<u>\$ 32,733,000</u>	<u>\$ 199,306,000</u>	<u>\$ 232,039,000</u>

Included in endowment net assets without donor restrictions at June 30, 2024 and 2023 was \$3,575,000 and \$2,816,000, respectively, of Board-designated endowment.

Orange County Community Foundation Notes to Consolidated Financial Statements

Included in endowment net assets with donor restrictions is \$42,656,000 and \$33,271,000 of accumulated earnings on endowment funds as of June 30, 2024 and 2023, respectively.

Distributions from the grantable amount of endowment funds are identified toward a specific purpose based on instructions from donors when the contributions were received. Endowment net assets with donor restrictions held in perpetuity for specific purposes at June 30, 2024 and 2023 are as follows:

	2024	2023
Field of interest	\$ 60,781,000	\$ 61,526,000
Donor advised	54,350,000	51,919,000
Non-profit agency	15,496,000	14,014,000
Board discretionary	12,989,000	13,489,000
Scholarships	8,388,000	8,349,000
Operating	4,646,000	4,646,000
Total endowment net assets with specific purpose	\$ 156,650,000	\$ 153,943,000

Note 9 – Retirement Plan

The Community Foundation has a defined-contribution 403(b) plan covering all eligible employees. Employees are eligible to participate in the plan beginning on their first day of employment. The Community Foundation matches up to one percent of the annual compensation of the participants. In addition, an annual contribution is calculated at a specified percentage of salary for eligible employees, up to statutory limits. The 403(b) retirement plan expenses for the years ended June 30, 2024 and 2023 were \$202,000 and \$187,000, respectively, and are included within salaries and benefits in the classification of expenses in Note 14.

Effective for the year ended June 30, 2024, the Community Foundation began sponsoring a non-qualified deferred compensation plan (the 457 Plan) under IRC Section 457(b) and (f) to provide certain executives of the Community Foundation with retirement benefits. The 457 Plan allows participants to defer a portion of their compensation, which is then paid out at a future date as specified in the 457 Plan document. The liability is recorded at fair value, which approximates the amount that would be paid to participants if they were to terminate their employment at the reporting date. The fair value of the liability is determined based on the present value of the future benefit payments to be made to participants, using discount rates that reflect the time value of money and the risk associated with the benefits. Actual future payments may differ from these estimates due to changes determined by the 457 Plan, economic conditions, and other factors. As of June 30, 2024, the Community Foundation had accrued a liability of \$34,000 related to the 457 Plan.

The 457 Plan's assets are included in investments on the consolidated statement of financial position. Participants have no greater rights to such assets than any other unsecured creditor. The deferred compensation liability, representing amounts due to these individuals, is fully funded and includes earnings from invested assets. The 457(b) and (f) retirement plan expenses for the year ended June 30, 2024 were \$13,000 and are included within salaries and benefits within the classification of expenses in Note 14.

Orange County Community Foundation Notes to Consolidated Financial Statements

Note 10 – Guarantees

In November 2022, the Community Foundation renewed a \$325,000 guarantee with a bank on behalf of an unrelated not-for-profit 501(c)(3) organization as collateral for a \$125,000 loan due in full in November 2024, and a \$200,000 revolving line of credit. As of June 30, 2024, \$27,000 is outstanding on the loan and nothing is outstanding on the line of credit. Amounts paid on the loan are fully amortizing and the revolving line of credit is interest only with payments due monthly. The guarantee is limited to \$325,000 and the Community Foundation will be released from its obligation under the guarantee when the loan is repaid.

Note 11 – Right-of-Use Assets and Lease Liability

The Community Foundation leases office space for its headquarters and the lease is classified as an operating lease. It provides for periodic rent increases and contains an extension and early termination options. In calculating the lease liability, an option to extend or terminate the lease early is included in the lease term when it is reasonably certain the option will be exercised. The lease provides that the Community Foundation pay a common area maintenance fee covering a portion of taxes, maintenance, insurance, and other building expenses. These expenses are recognized in the period in which the obligations are incurred.

The ROU asset and lease liability are based on the lease components as identified in the underlying agreements. A lease component is the cost stated in the agreement that directly relates to the right to use the identified asset. When known or determinable, the Community Foundation uses the rate implicit in the lease in determining the present value of lease payments. Otherwise, the risk-free rate is used.

The following table provides supplemental information related to the Community Foundation's operating lease as of June 30, 2024:

Weighted-average remaining lease term in years for operating leases	9
Weighted-average discount rate for operating leases	3.59%

As of June 30, 2024, future minimum lease payments related to the operating lease are as follows:

Years Ending June 30,	
2025	\$ 583,000
2026	600,000
2027	618,000
2028	637,000
2029	656,000
Thereafter	<u>2,895,000</u>
Total undiscounted cash flows	5,989,000
Less present value discount	<u>(913,000)</u>
Total operating lease liability	<u><u>\$ 5,076,000</u></u>

Orange County Community Foundation Notes to Consolidated Financial Statements

Rent expense for the years ended June 30, 2024 and 2023 was \$635,000 and \$563,000, respectively, and is included within occupancy in the classification of expenses in Note 14.

Note 12 – Liquidity and Availability

Financial assets available for general expenditures without donor or other restrictions limiting their use within one year as of June 30, 2024 and 2023 are comprised of the following:

	2024	2023
Cash and cash equivalents	\$ 108,840,000	\$ 86,568,000
Investments	354,484,000	265,434,000
Contributions receivable	225,000	5,676,000
Other assets	297,000	504,000
Total financial assets available for use	\$ 463,846,000	\$ 358,182,000

As part of the Community Foundation’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Community Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Note 13 – Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for the fiscal years ended June 30, 2024 and 2023 included in the consolidated financial statements were as follows:

	2024	2023
Real estate	\$ 356,000	\$ -

Real estate – The Community Foundation generally makes contributions of real estate available for sale as soon as practicable upon receipt. The Community Foundation values each real estate gift at fair value based on qualified appraisals or recent comparable sales in the geographical market that the real estate is located.

There were no donor restrictions associated with the contributions of real estate for the years ended June 30, 2024 and 2023.

Orange County Community Foundation Notes to Consolidated Financial Statements

The following table summarizes the monetization of all nonfinancial assets contributed for the years ended June 30, 2024 and 2023. All unsold real estate at year end is included in investments on the consolidated statements of financial position.

	Original Gift Value	Proceeds from Sale	Unrealized and Realized Gain / (Loss)	Value of Remaining Investments
2024				
Real estate	\$ 1,476,000	\$ 1,435,000	\$ (41,000)	\$ -
2023				
Real estate	\$ 1,200,000	\$ -	\$ (80,000)	\$ 1,120,000

Note 14 – Classification of Expenses

The following tables reflect the classification of the Community Foundation's expenses by both the underlying nature of the expense and the function. An individual expense is allocated to the underlying activity to which it was incurred.

Expenses by function and nature consisted of the following for the year ended June 30, 2024:

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising and Development	
Grants and scholarships	\$ 85,933,000	\$ -	\$ -	\$ 85,933,000
Special projects	1,060,000	-	-	1,060,000
Salaries and benefits	1,859,000	1,907,000	965,000	4,731,000
Occupancy	299,000	268,000	80,000	647,000
Technology	254,000	209,000	62,000	525,000
Depreciation	241,000	220,000	-	461,000
Administration	4,000	221,000	2,000	227,000
Community education events	110,000	-	106,000	216,000
Marketing and advertising	73,000	-	122,000	195,000
Other expense	39,000	18,000	89,000	146,000
Professional services	33,000	102,000	-	135,000
Interest expense	112,000	-	-	112,000
Staff training and development	16,000	32,000	9,000	57,000
Total expenses	\$ 90,033,000	\$ 2,977,000	\$ 1,435,000	\$ 94,445,000

Orange County Community Foundation
Notes to Consolidated Financial Statements

Expenses by function and nature consisted of the following for the year ended June 30, 2023:

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising and Development	
Grants and scholarships	\$ 102,634,000	\$ -	\$ -	\$ 102,634,000
Special projects	840,000	-	-	840,000
Salaries and benefits	1,747,000	1,561,000	968,000	4,276,000
Technology	448,000	317,000	132,000	897,000
Occupancy	291,000	215,000	89,000	595,000
Depreciation	178,000	120,000	-	298,000
Administration	4,000	183,000	3,000	190,000
Marketing and advertising	86,000	-	103,000	189,000
Community education events	106,000	-	83,000	189,000
Professional services	13,000	114,000	1,000	128,000
Other expense	57,000	17,000	45,000	119,000
Interest expense	116,000	-	-	116,000
Staff training and development	16,000	24,000	7,000	47,000
Total expenses	\$ 106,536,000	\$ 2,551,000	\$ 1,431,000	\$ 110,518,000

