Report of Independent Auditors and
Consolidated Financial Statements

Orange County Community Foundation

June 30, 2023, with Summarized Comparative
Information for June 30, 2022

MOSSADAMS

Table of Contents

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 (the "Community Foundation") and its supporting organizations, which comprise the consolidated statement of financial position as of June 30, 2023, 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 the Community Foundation and its supporting organizations as of June 30, 2023, 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 the 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, as of and for the year ended June 30, 2023, the Community Foundation adopted new accounting guidance in accordance with Accounting Standards Codification, Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation and its supporting organizations' ability to continue as a going concern within one year after the date that the 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 the 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 the 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 the Community Foundation and its supporting organizations' June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 13, 2022. 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 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 the 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 11, 2023

Consolidated Financial Statements

Orange County Community Foundation
Consolidated Statement of Financial Position
June 30, 2023
(With Summarized Comparative Information for 2022)

	June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2022
ASSETS				
Cash and cash equivalents	$ 86,568,000	$ -	$ 86,568,000	$ 71,088,000
Investments	281,520,000	173,640,000	455,160,000	444,327,000
Contributions receivable, net	5,755,000	13,100,000	18,855,000	5,858,000
Land, building, and equipment, net	3,721,000	-	3,721,000	3,206,000
Operating lease right-of-use asset	5,230,000	-	5,230,000	-
Other assets	4,914,000	480,000	5,394,000	5,741,000
Total assets	$ 387,708,000	$ 187,220,000	$ 574,928,000	$ 530,220,000
LIABILITIES				
Grants payable	12,414,000	-	12,414,000	12,739,000
Accounts payable and accrued liabilities	809,000	-	809,000	879,000
Pledges payable, net	1,944,000	-	1,944,000	2,234,000
Mortgage, notes payable, and loan	2,293,000	-	2,293,000	2,386,000
Operating lease liability	5,404,000	-	5,404,000	-
Due to other agencies	7,385,000	-	7,385,000	8,465,000
Total liabilities	30,249,000	-	30,249,000	26,703,000
NET ASSETS				
Total net assets	357,459,000	187,220,000	544,679,000	503,517,000
Total liabilities and net assets	$ 387,708,000	$ 187,220,000	$ 574,928,000	$ 530,220,000

See accompanying notes.

Orange County Community Foundation
Consolidated Statement of Activities
Year Ended June 30, 2023
(With Summarized Comparative Information for 2022)

	Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total	Year Ended June 30, 2022
REVENUE AND SUPPORT				
Contributions of cash and other financial assets	$ 98,479,000	$ 15,167,000	$ 113,646,000	$ 116,023,000
Contributions of nonfinancial assets	-	-	-	1,468,000
Investment income (loss), net	27,079,000	10,296,000	37,375,000	(18,164,000)
Other income	659,000	-	659,000	451,000
Net assets released from restriction	3,358,000	(3,358,000)	-	-
Total revenue and support	129,575,000	22,105,000	151,680,000	99,778,000
EXPENSES				
Program services				
Grants and scholarships	102,634,000	-	102,634,000	75,825,000
Special projects	840,000	-	840,000	772,000
Other program expenses	3,062,000	-	3,062,000	2,626,000
Total program services	106,536,000	-	106,536,000	79,223,000
Supporting services				
General and administrative	2,551,000	-	2,551,000	2,281,000
Fundraising and development	1,431,000	-	1,431,000	1,339,000
Total supporting services	3,982,000	-	3,982,000	3,620,000
Total expenses	110,518,000	-	110,518,000	82,843,000
CHANGE IN NET ASSETS	19,057,000	22,105,000	41,162,000	16,935,000
NET ASSETS				
Beginning of year	338,402,000	165,115,000	503,517,000	486,582,000
End of year	$ 357,459,000	$ 187,220,000	$ 544,679,000	$ 503,517,000

See accompanying notes.

Orange County Community Foundation
Consolidated Statement of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Changes in net assets	$41,162,000	$ 16,935,000
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	298,000	199,000
Net realized and unrealized (gains) losses on investments	(31,696,000)	21,440,000
Non-cash contributions of stock and other assets	-	(7,576,000)
Contributions restricted for endowments	(15,167,000)	(2,084,000)
Amortization of operating lease right-of-use asset	72,000	-
Changes in operating assets and liabilities		
Contributions receivable, net	(12,997,000)	2,394,000
Other assets	347,000	(142,000)
Grants payable	(325,000)	(891,000)
Accounts payable and accrued liabilities	(70,000)	(312,000)
Pledges payable, net	(290,000)	139,000
Operating lease liability	102,000	-
Due to other agencies	(1,080,000)	558,000
Net cash provided by (used in) operating activities	(19,644,000)	30,660,000
INVESTING ACTIVITIES		
Purchases of investments	(149,950,000)	(78,887,000)
Proceeds from sale of investments	142,581,000	55,403,000
Proceeds from sale of closely-held real estate investments	28,232,000	3,146,000
Purchases of land, building, and equipment	(813,000)	(487,000)
Net cash provided by (used in) investing activities	20,050,000	(20,825,000)
FINANCING ACTIVITIES		
Contributions restricted for endowments	15,167,000	2,084,000
Payments on mortgage and notes payable	(93,000)	(89,000)
Net cash provided by financing activities	15,074,000	1,995,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,480,000	11,830,000
CASH AND CASH EQUIVALENTS		
Beginning of year	71,088,000	59,258,000
End of year	$ 86,568,000	$ 71,088,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$ 116,000	$ 120,000
Taxes	$ 31,000	$ 35,000
Lease liabilities arising from obtaining ROU assets	$ 5,371,000	$ -
Non-cash financing investing and financing activities		
Contributions of securities	$ 23,549,000	$ 53,772,000
Redemption of investments with other securities	$ 24,023,000	$ -

See accompanying notes.

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, 2022, 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. Unrelated business income tax expense for the years ended June 30, 2023 and 2022, was $31,000 and $35,000, respectively.

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.

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.

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 – Effective July 1, 2022, the Community Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Topic 842 requires lessees to recognize 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.

The Community Foundation adopted Topic 842 using the modified retrospective adoption method. The Community Foundation elected the available practical expedient options which allows the Community Foundation to not reassess whether any existing or expired contracts contain leases, to not reassess lease classifications for any existing or expired leases, and to not reassess initial direct costs for its existing lease. The Community Foundation also 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 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'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.

Upon transition, the Community Foundation recognized $5,371,000 of an operating lease liability based on the present value of the remaining minimum rental payments using the discount rate based on the applicable risk-free rate as of the effective date and $5,303,000 for an ROU asset at adoption.

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, 2023 or 2022. Conditional grants and pledges are expensed and considered payable in the period the conditions are substantially satisfied. The Community Foundation had no conditional grants and pledges payable at June 30, 2023, and approximately $50,000 at June 30, 2022, that were contingent upon the recipient organizations receiving additional contributions.

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, 2023, approximately $8,775,000 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 $80,000 is expected to be collected after five years. At June 30, 2022, approximately $5,775,000 of contributions receivable were expected to be collected within one year and the balance of $83,000 was expected to be collected after five years. An allowance for estimated uncollectible contributions receivable will be recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Amounts are written off against the allowance when deemed uncollectible. Management has determined that no allowance for uncollectible contributions receivable was necessary as of June 30, 2023 and 2022.

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.

New accounting pronouncements not yet effective – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments replace the incurred loss methodology with an expected loss methodology. The measurement of expected credit losses under this methodology applies to financial assets measured at amortized cost, including loans receivable, held-to-maturity debt securities, and net investments in leases recognized by a lessor. An allowance for credit losses valuation account will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected. The transition guidance requires an entity to make a cumulative-effect adjustment to opening net assets as of the beginning of the first reporting period in which the amendments are effective. ASU 2018-19 amended the effective date for fiscal years beginning after December 15, 2021. Adoption is not expected to have a significant impact on the 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 11, 2023, 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, 2023 and 2022, contributions from the three largest donors each year represented 33 and 38 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 investment consultant is also utilized.

Note 4 – Investments and Fair Value Disclosures

Investments at fair value consisted of the following at June 30, 2023 and 2022:

	2023	2022
Fixed income investments	$ 41,062,000	$ 33,332,000
Domestic equity securities	42,142,000	16,533,000
Mutual funds – equity securities	33,112,000	21,129,000
Alternative investments	338,844,000	373,333,000
Total investments	$ 455,160,000	$ 444,327,000

Investment income (loss), net of related expenses, consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Net realized and unrealized gains (losses)	$ 31,696,000	$ (21,440,000)
Net interest and dividends	5,679,000	3,276,000
Total investment income (loss), net	$ 37,375,000	$ (18,164,000)

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, 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	$ 116,316,000	$ -	$ 14,872,000	$ 323,972,000	$ 455,160,000

The following table presents the investments carried at fair value on the accompanying consolidated statement of financial position at June 30, 2022:

	Level 1	Level 2	Level 3	Assets Measured at Net Asset Value (or Equivalent)	Total
Mutual funds – fixed income	$ 33,332,000	$ -	$ -	$ -	$ 33,332,000
Domestic equity securities	16,533,000	-	-	-	16,533,000
Mutual funds – equity securities					
Domestic	15,423,000	-	-	-	15,423,000
International	5,706,000	-	-	-	5,706,000
Alternative investments					
Limited partnerships	-	-	-	232,939,000	232,939,000
Private equity funds	-	-	-	74,047,000	74,047,000
Closely-held entities	-	-	66,347,000	-	66,347,000
Total	$ 70,994,000	$ -	$ 66,347,000	$ 306,986,000	$ 444,327,000

The following table presents the summary of changes in the fair value of Level 3 investments for the years ended June 30, 2023 and 2022:

	Closely-Held Entities
Balance, July 1, 2021	$ 60,180,000
Additions	7,593,000
Net realized gains	127,000
Net unrealized gains	1,720,000
Distributions	(3,273,000)
Balance, June 30, 2022	66,347,000
Net realized losses	(2,000)
Net unrealized gains	780,000
Distributions	(52,253,000)
Balance, June 30, 2023	$ 14,872,000

In December 2022, the Community Foundation redeemed its investment of $51.6 million in Class A shares in a partnership.

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.

The nature and risk of investments at June 30, 2023, for which fair value is based on NAV are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships (a)	$ 137,429,000	$ -	Monthly	5–60 Days
	33,843,000	-	Quarterly	60–180 Days
	22,227,000	-	Weekly	3–5 Days
	21,872,000	-	Semi-Monthly	6 Days
	10,511,000	-	Daily	0 Days
	6,311,000	-	5-Year Lockup, 5% Annually thereafter	90 or 150 Days
	281,000	-	At General Partner's Discretion	N/A
	232,474,000	-		
Private equity funds (b)	91,498,000	54,453,000	Upon Dissolution of Partnership	N/A
	$ 323,972,000	$ 54,453,000		

The strategies of investments in limited partnerships are summarized as follows at June 30, 2023:

	Percentage of Fair Value
Diversifiers – low-equity beta and growth oriented	20%
International equity	19%
U.S. equity	18%
Global equity	13%
Emerging markets equity	12%
Marketable real assets	8%
U.S. and global fixed income	10%
	100%

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

The strategies of investments in private equity funds are summarized as follows at June 30, 2023:

	Percentage of Fair Value
Buyouts, distressed, secondaries, special situations, and credit strategy	44%
Venture and growth capital	29%
Private energy, minerals, mining, and life contingent assets	17%
Private real estate	10%
	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 52 percent of this class will be liquidated over the next two to five years and the balance within the next 10 years.

The significant unobservable inputs related to material categories of Level 3 investments at June 30, 2023, are as follows:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Closely-held entities (a)	$ 14,872,000	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 sector. Approximately 34 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 28 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 17 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 13 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 eight percent, represents a minority interest in real property in California.

While the Community Foundation and its Supporting Organizations believe their valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Investment Committee, in conjunction with the external investment consultant, monitors the valuation and performance of the investments on a quarterly basis. The Investment Committee reports to the Board of the Community Foundation.

Note 5 – Land, Building, and Equipment

Land, building, and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land and improvements	$ 560,000	$ 560,000
Building and improvements	4,377,000	4,175,000
Furniture and equipment	1,153,000	821,000
	6,090,000	5,556,000
Less: accumulated depreciation	(2,369,000)	(2,350,000)
Land, building, and equipment, net	$ 3,721,000	$ 3,206,000

Depreciation expense for the years ended June 30, 2023 and 2022, was $298,000 and $199,000, respectively.

Note 6 – Pledges Payable

Pledges payable, discounted to net present value, at June 30, 2023, consisted of approved grant commitments that are expected to be paid during the following years ending June 30:

Years Ending June 30,	
2024	$ 490,000
2025	500,000
2026	350,000
2027	200,000
2028	200,000
Thereafter	300,000
	2,040,000
Less: net present discount	(96,000)
Pledges payable, net	$ 1,944,000

Pledges payable have been discounted to net present value using risk-free rates of return ranging from 0.27 – 4.16 percent determined at year of origination of the pledges.

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 is 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, 2023 and 2022, was $2,293,000 and $2,338,000, 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 $100,000 owed to the Community Foundation is eliminated upon consolidation. The note payable was paid in full during the year and no balance is outstanding as of June 30, 2023. The balance outstanding at June 30, 2022, was $48,000.

At June 30, 2023, future annual principal payments under the mortgage and notes payable for the years ending June 30 are as follows:

Years Ending June 30,	
2024	$ 48,000
2025	50,000
2026	53,000
2027	55,000
2028	58,000
Thereafter	2,029,000
Mortgage and notes payable	$ 2,293,000

Interest expense for the years ended June 30, 2023 and 2022, was $116,000 and $120,000, respectively.

Note 8 – Net Assets

Net assets are comprised of the following at June 30, 2023 and 2022:

	2023	2022
Without donor restrictions		
Designated for donor-advised grants	$ 351,511,000	$ 332,495,000
Designated for discretionary grants	3,832,000	3,369,000
Undesignated	2,116,000	2,538,000
Total without donor restrictions	357,459,000	338,402,000
With donor restrictions		
Restricted in perpetuity – endowment	154,038,000	134,733,000
Restricted and subject to the Community Foundation's spending policy	33,271,000	30,578,000
Restricted for the passage of time	6,000	6,000
Endowment funds with deficiencies	(95,000)	(202,000)
Total with donor restrictions	187,220,000	165,115,000
Total net assets	$ 544,679,000	$ 503,517,000

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.

Funds with deficiencies – From time to time, certain donor-restricted endowment funds may have fair values below historic gift value. 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. At June 30, 2022, the Community Foundation had endowment funds with deficiencies with an original fair value of $5,901,000 at the date of the gift and a current fair value of $5,699,000. 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.

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 2023 and 2022. 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, 2023 and 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 22,723,000	$ 176,731,000	$ 199,454,000
Contributions	-	2,084,000	2,084,000
Investment income, net of fees	(1,564,000)	(5,720,000)	(7,284,000)
Amounts appropriated for expenditure	7,841,000	(7,841,000)	-
Grants and scholarships paid	(7,637,000)	-	(7,637,000)
Redesignations	2,505,000	(145,000)	2,360,000
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

Included in endowment net assets without donor restrictions at June 30, 2023 and 2022, was $2,816,000 and $2,795,000, respectively, of Board-designated endowment.

Included in endowment net assets with donor restrictions is $33,271,000 and $30,578,000 of accumulated earnings on endowment funds as of June 30, 2023 and 2022, 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, 2023 and 2022, are as follows:

	2023	2022
Field of interest	$ 61,527,000	$ 52,206,000
Donor advised	51,919,000	41,839,000
Non-profit agency	14,014,000	13,989,000
Board discretionary	13,489,000	13,739,000
Scholarships	8,349,000	8,112,000
Operating	4,646,000	4,646,000
Total endowment net assets with specific purpose	$ 153,944,000	$ 134,531,000

Note 9 – Retirement Plan

The Community Foundation has a defined-contribution plan covering substantially all 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. Retirement plan expenses for the years ended June 30, 2023 and 2022, were $187,000 and $184,000, respectively, and are included within salaries and benefits in the classification of functional expenses in Note 14.

Note 10 – Guarantees

In August 2019, the Community Foundation provided a $700,000 guarantee to a bank on behalf of an unrelated not-for-profit 501(c)(3) organization as collateral for a $500,000 loan due in full on August 20, 2022, and a $200,000 revolving line of credit. In November 2022, the loan was renewed for $125,000 and the line of credit for $200,000 and are due in full November 21, 2024. As of June 30, 2023, $90,000 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 Commitments

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 taxes, maintenance, insurance, and other 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, 2023:

Weighted-average remaining lease term in years for operating leases	10
Weighted-average discount rate for operating leases	3.59%

As of June 30, 2023, future minimum lease payments related to the operating lease are as follows:

2024	$ 516,000
2025	583,000
2026	600,000
2027	618,000
2028	637,000
Thereafter	3,551,000
Total undiscounted cash flows	6,505,000
Less present value discount	(1,101,000)
Total operating lease liabilities	$ 5,404,000

For the year ended June 30, 2022, the Community Foundation reported lease liabilities in accordance with ASU Topic 840 – *Leases*. The Community Foundation was obligated under a non-cancellable operating lease for facilities through March 2023 in the amount of $377,000. The Community Foundation opted to not extend this lease and moved to a new location in April 2023.

Rent expense for the years ended June 30, 2023 and 2022, was $563,000 and $514,000, respectively, and is included within occupancy expense in the classification of functional 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, 2023 and 2022, are comprised of the following:

	2023	2022
Cash and cash equivalents	$ 86,568,000	$ 71,088,000
Investments	265,434,000	263,275,000
Contributions receivable	5,676,000	5,676,000
Other assets	504,000	1,326,000
Total financial assets available for use	$ 358,182,000	$ 341,365,000

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, 2023 and 2022, included in the consolidated financial statements were as follows:

	2023	2022
Real estate	$ -	$ 1,468,000

Real estate – The Community Foundation strives to sell all contributions of real estate as soon as it can unless restricted for use in a specific program by the donor. 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, 2023 and 2022.

The following table summarizes the monetization of all nonfinancial assets contributed for the years ended June 30, 2023 and 2022. 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
2023				
Real estate	$ 1,200,000	$ -	$ (80,000)	$ 1,120,000
2022				
Real estate	$ 1,468,000	$ 268,000	$ -	$ 1,200,000

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, 2023:

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising and Development	Total
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

Expenses by function and nature consisted of the following for the year ended June 30, 2022:

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising and Development	Total
Grants and scholarships	$ 75,825,000	$ -	$ -	$ 75,825,000
Special projects	772,000	-	-	772,000
Salaries and benefits	1,801,000	1,476,000	1,029,000	4,306,000
Occupancy	215,000	219,000	80,000	514,000
Technology	153,000	157,000	58,000	368,000
Depreciation	152,000	47,000	-	199,000
Administration	3,000	186,000	2,000	191,000
Professional Services	21,000	158,000	2,000	181,000
Marketing and advertising	63,000	-	107,000	170,000
Interest expense	120,000	-	-	120,000
Community education events	70,000	-	17,000	87,000
Other expense	21,000	17,000	35,000	73,000
Staff training and development	7,000	21,000	9,000	37,000
Total expenses	$ 79,223,000	$ 2,281,000	$ 1,339,000	$ 82,843,000