Financial Statements
June 30, 2022 and 2021

Irvine Valley College Foundation

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Governors
Irvine Valley College Foundation
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Irvine Valley College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Foundation 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.

Other Matter

The financial statements of the Foundation for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on December 13, 2021.

Responsibilities of Management for the Financial Statements

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

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

Eide Bailly LLP

Rancho Cucamonga, California
November 23, 2022

	2022	2021
Assets		
Current Assets		
Cash	$ 132,108	$ 226,972
Accounts receivable	13,523	3,909
Due from South Orange County Community College District	77,200	-
Investments	801,543	1,022,005
Prepaid expenses	9,460	3,000
Total Current Assets	1,033,834	1,255,886
Noncurrent Assets		
Investments	2,662,440	2,934,659
Promises to give, net discount	142,452	131,697
Beneficial interest in assets held by the Foundation for California Community Colleges (FCCC)	415,927	500,861
Total Noncurrent Assets	3,220,819	3,567,217
Total Assets	$ 4,254,653	$ 4,823,103
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,106	$ 9,209
Due to South Orange County Community College District	17,401	4,628
Pass-through scholarships payable	25,454	23,088
Total Current Liabilities	43,961	36,925
Net Assets		
Without donor restrictions	1,132,325	1,435,735
With donor restrictions	3,078,367	3,350,443
Total Net Assets	4,210,692	4,786,178
Total Liabilities and Net Assets	$ 4,254,653	$ 4,823,103

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	$ 85,736	$ 591,460	$ 677,196	$ 36,092	$ 749,440	$ 785,532
Campus programs	11,747	2,318	14,065	16,120	1,814	17,934
Donated services	842,643	-	842,643	822,672	-	822,672
Donated professional fees	8,650	-	8,650	5,180	-	5,180
In-kind donations	9,924	-	9,924	-	-	-
Special events	174,536	-	174,536	100,134	-	100,134
Other revenues	-	-	-	30,139	-	30,139
Total Revenues	1,133,236	593,778	1,727,014	1,010,337	751,254	1,761,591
Expenses						
Program	1,064,008	-	1,064,008	946,061	-	946,061
Management and general	223,400	-	223,400	264,307	-	264,307
Fundraising	233,588	-	233,588	187,060	-	187,060
Total Expenses	1,520,996	-	1,520,996	1,397,428	-	1,397,428
Other Income (Losses)						
Investment income (losses), net of expenses	(304,402)	(392,667)	(697,069)	237,665	324,406	562,071
Change in beneficial interest in assets held by the FCCC	-	(84,435)	(84,435)	-	89,612	89,612
Net assets released from restrictions and net asset transfers	388,752	(388,752)	-	316,380	(316,380)	-
Total Other Income (Losses)	84,350	(865,854)	(781,504)	554,045	97,638	651,683
Change in Net Assets	(303,410)	(272,076)	(575,486)	166,954	848,892	1,015,846
Net Assets, Beginning of Year	1,435,735	3,350,443	4,786,178	1,268,781	2,501,551	3,770,332
Net Assets, End of Year	$ 1,132,325	$ 3,078,367	$ 4,210,692	$ 1,435,735	$ 3,350,443	$ 4,786,178

	2022			
	Program	Management and General	Fundraising	Total
Salaries and benefits	$ 16,154	$ 8,444	$ 8,321	$ 32,919
Scholarship and grants	451,262	-	-	451,262
Other student support	7,775	-	-	7,775
Donated services	518,899	169,687	154,057	842,643
Donated professional fees	-	8,650	-	8,650
Supplies and printing	-	7,111	-	7,111
Conferences and meetings	12,178	87	-	12,265
Dues and memberships	2,730	3,520	-	6,250
Equipment	381	-	-	381
Contract services	2,207	7,292	-	9,499
Program expenses	32,985	3,420	-	36,405
Fundraising	-	-	71,210	71,210
In-kind donations	9,924	-	-	9,924
Other expenses	9,513	15,189	-	24,702
Total Expenses	$ 1,064,008	$ 223,400	$ 233,588	$ 1,520,996

	2021			
	Program	Management and General	Fundraising	Total
Salaries and benefits	$ 10,180	$ 3,313	$ 4,980	$ 18,473
Scholarship and grants	423,414	-	-	423,414
Donated services	463,469	208,797	150,406	822,672
Donated professional fees	5,180	-	-	5,180
Supplies and printing	1,084	9,605	5,182	15,871
Conferences and meetings	50	-	-	50
Dues and memberships	3,495	3,312	-	6,807
Equipment	5,548	-	-	5,548
Contract services	16,600	3,605	21,522	41,727
Program expenses	16,364	4,843	4,568	25,775
Other expenses	677	30,832	402	31,911
Total Expenses	$ 946,061	$ 264,307	$ 187,060	$ 1,397,428

	2022	2021
Operating Activities		
Contributions received and special events receipts, net of amounts restricted for long-term purposes	$ 425,478	$ 461,229
Campus programs receipts	14,065	17,934
Other receipts	-	30,139
Interest and dividends, net of fees	70,067	58,279
Payments to/on behalf of District employees	(32,919)	(18,473)
Payments to suppliers	(169,114)	(129,861)
Payments to/on behalf of students	(456,671)	(423,414)
Net Cash Used in Operating Activities	(149,094)	(4,167)
Investing Activities		
Purchase of investments	(470,125)	(1,516,865)
Proceeds from sale of investments	195,670	1,267,675
Net Cash Used in Investing Activities	(274,455)	(249,190)
Financing Activities		
Collections of contributions restricted for long-term purposes	328,685	294,523
Net Cash Provided by Financing Activities	328,685	294,523
Change in Cash	(94,864)	41,166
Cash, Beginning of Year	226,972	185,806
Cash, End of Year	$ 132,108	$ 226,972
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Change in net assets	$ (575,486)	$ 1,015,846
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized (gain)/loss on investments	895,564	(348,931)
Realized gain on investments	(128,428)	(154,861)
Change in beneficial interest in assets held by the Foundation for California Community Colleges	84,934	(89,612)
Amortization of discount on promises to give	(10,755)	-
Contributions restricted for long-term purposes	(328,685)	(294,523)
Changes in assets and liabilities		
Accounts receivable	(9,614)	(217)
Due from South Orange County Community College District	(77,200)	2,000
Prepaid expenses	(6,460)	(2,645)
Promises to give, net discount	-	(131,697)
Accounts payable	(8,103)	6,001
Due to South Orange County Community College District	12,773	(657)
Pass-through scholarships payable	2,366	(4,871)
Net Cash Used in Operating Activities	$ (149,094)	$ (4,167)

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Irvine Valley College Foundation (the Foundation) is a California, nonprofit public benefit corporation founded on November 24, 2003, for the purpose of receiving contributions to further the educational purposes of Irvine Valley College (IVC) which is part of the South Orange County Community College District (the District). The principal sources of revenue for the Foundation include donor contributions and investment related income.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financially interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Asset Accounting

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Governors has discretionary control for use in operating the Foundation. The Board of Governors has designated, from net assets without donor restrictions, net assets for the ProIVC match.

Net Assets with Donor Restrictions - Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Concentrations – Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2022, the Foundation's cash balances are collateralized at 110% in accordance with applicable California state law.

The Foundation maintains investment balances at financial institutions in excess of Securities Investor Protection Corporation (SIPC) limits. Concentration risk is managed by placing investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

Accounts Receivable

Accounts receivable consists primarily of amounts due from related parties and donations receivable. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for doubtful contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Campus programs revenue is recognized at the time services are provided. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

In-kind Contributions

In-kind contributions include donated services, donated professional services, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation records the value of donated services and professional fees when there is an objective basis available to measure their value. Donated services and professional fees are reflected as support in the accompanying statements at their estimated values at date of donation, based on the fair value of comparable services provided by third parties. Although volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation does not sell donated gifts-in-kind.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, based upon management's estimates on the basis of time and effort, donated service costs have been allocated among the programs, management and general, and fundraising activities.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of and revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Change in Accounting Principle

As of July 1, 2021, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise of the following:

	2022	2021
Cash and cash equivalents	$ 132,108	$ 226,972
Investments	801,543	1,022,005
Accounts receivable	13,523	3,909
Due from South Orange County Community College District	77,200	-
Total Financial Assets Available Within One Year	$ 1,024,374	$ 1,252,886

The Foundation uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

The Board-designated endowment of $47,693 and $85,077 for the years ended June 30, 2022 and 2021, respectively, is subject to an annual spending rate of 3% as described in Note 10. Although the Foundation does not intend to spend from the Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30:

	2022	2021
Money market funds	$ 326,206	$ 184,234
Mutual funds	3,137,777	3,772,430
Total Investments	$ 3,463,983	$ 3,956,664

The following schedule summarizes the investment return and its classification in the statements of activities for the year ended June 30:

	2022	2021
Realized gain on investments	$ 128,428	$ 154,861
Unrealized gain (loss) on investments	(895,564)	348,931
Interest and dividends	81,341	69,954
Total Investment Income (Loss)	(685,795)	573,746
Investment expenses	(11,274)	(11,675)
Total Investment Income (Loss), Net of Expenses	$ (697,069)	$ 562,071

Note 4 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges-Osher Endowment Scholarship

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California community college students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the Foundation and its donors have contributed $371,259. As of June 30, 2022 and 2021, the ending balance of the Osher Endowment Scholarship was $415,927 and $500,861, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 5 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges (FCCC) is based on the fair values of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Money market	$ 326,206	$ -	$ -	$ 326,206
Mutual funds	3,137,777	-	-	3,137,777
Beneficial interest in assets held by FCCC	-	-	415,927	415,927
Total	$ 3,463,983	$ -	$ 415,927	$ 3,879,910

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Money market	$ 184,234	$ -	$ -	$ 184,234
Mutual funds	3,772,430	-	-	3,772,430
Beneficial interest in assets held by FCCC	-	-	500,861	500,861
Total	$ 3,956,664	$ -	$ 500,861	$ 4,457,525

The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021.

Note 6 - Promises to Give

In January 2021, the Foundation received an irrevocable promise to give of $250,000 toward a named endowment for the purpose of establishing the Rezanoor Music Endowment. Under the terms of the promise to give, the funds will be transferred to the Foundation upon the death of the donor. As such, the Foundation recorded an unconditional promise to give at fair value based upon an estimated life expectancy of eleven years from time of the pledge and at a discount rate of 6%.

Each subsequent year, the Foundation records contribution income in the statement of activities as the pledge discount is amortized. The Foundation recognized $10,755 and $131,697 of contribution income for the years ended June 30, 2022 and 2021, respectively.

The following table presents the balances of the pledge receivable and unamortized discount at June 30:

	2022	2021
Promises to give before unamortized discount	$ 250,000	$ 250,000
Less: Unamortized discount	(107,548)	(118,303)
Promises to Give, net of discount	$ 142,452	$ 131,697

Note 7 - Pass-through Scholarships Payable

The Foundation acts as a fiscal agent for departments, organizations, and groups of Irvine Valley College. Accordingly, at June 30, 2022 and 2021, $25,454 and $23,088 of the Foundation's assets belong to other parties, respectively. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

Note 8 - Board Designated Net Assets

Net assets without donor restrictions that have been board designated for the ProIVC match amounted to $47,693 and $85,077 at June 30, 2022 and 2021, respectively.

Note 9 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30:

	2022	2021
Campus programs	$ 448,000	$ 556,939
Scholarships	292,574	313,551
Endowments - accumulated and unspent earnings	175,917	73,644
Total	$ 916,491	$ 944,134

Donor-restricted net assets with perpetual restrictions consist of the following at June 30:

	2022	2021
Osher endowment	$ 415,927	$ 500,861
Endowments related to scholarships	1,745,949	1,905,448
Total	$ 2,161,876	$ 2,406,309

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors. Net assets released from donor restrictions and net asset transfers were as follows for the years ended June 30:

	2022	2021
Satisfaction of Purpose Restrictions		
Campus programs	$ 107,599	$ 1,760
Scholarships	326,325	314,620
Total Net Assets Released From Donor Restrictions	433,924	316,380
Transfers	(45,172)	-
Total Net Assets Released From Donor Restrictions and Transfers	$ 388,752	$ 316,380

Note 10 - Endowments

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021 there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The mission of the Foundation and the purpose of the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and/or deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Foundation
g. The investment policy of the Foundation

Risk Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long-term perspective. The policy is to protect the principal, over the long-term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the 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 Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation has a policy of appropriating for distribution each year 3% of the endowment fund's average fair value over the prior 12 quarters for the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% annually.

Spending is reviewed annually and allocations are determined to allow continued growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2022 and 2021, respectively.

Endowment net asset composition by type of fund, as of June 30, 2022 and 2021 are as follows:

	2022	
	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	$ -	$ 2,337,793
Board-designated endowment funds	47,693	-
Total	$ 47,693	$ 2,337,793

	2021	
	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	$ -	$ 2,479,953
Board-designated endowment funds	85,077	-
Total	$ 85,077	$ 2,479,953

Changes in endowment net assets as of June 30, 2022 and 2021, are as follows:

	2022	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 85,077	$ 2,479,953
Contributions	78	283,591
Investment income (loss), net of expenses	18,522	(379,665)
Transfers	(45,172)	45,172
Amounts appropriated for expenditures	(10,812)	(91,258)
Endowment Net Assets, End of Year	$ 47,693	$ 2,337,793

	2021	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 72,748	$ 1,937,520
Contributions	-	294,523
Investment income (loss), net of expenses	-	325,301
Amounts appropriated for expenditures	(8,575)	(82,300)
Other changes	20,904	4,909
Endowment Net Assets, End of Year	$ 85,077	$ 2,479,953

Note 11 - In-kind Contributions

The Foundation was given program and service support from the District. The following is a breakdown of these in-kind donated services and professional fees at June 30:

	2022	2021
Donated services	$ 842,643	$ 822,672
Donated professional fees	8,650	5,180
Total	$ 851,293	$ 827,852

During the years ended June 30, 2022 and 2021, the Foundation also received donated assets from various donors, which the Foundation passed through to the District for use in its programs.

	2022	2021
Donated assets		
Passed through to the District	$ 9,924	$ -

Note 12 - Related Party Transactions

South Orange County Community College District (the District)

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the Foundation directors and staff. Additionally, the District pays professional fees for services rendered on behalf of the Foundation. The donated services and professional fees for the fiscal year ended June 30, 2022 were valued at $842,643 and $8,650, respectively. The donated services and professional fees for the fiscal year ended June 30, 2021 were valued at $822,672 and $5,180, respectively. These amounts have been reflected in the financial statements as donated services and donated professional fees revenues and expenses.

At June 30, 2022 and 2021, the Foundation had outstanding receivables from the District in the amounts of $77,200 and $0, respectively. At June 30, 2022 and 2021, the Foundation had $17,401 and $4,628, respectively, in outstanding payables due to the District.

Note 13 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2022 through November 23, 2022, which is the date the financial statements were available to be issued.