



Financial Statements

December 31, 2024 and 2023



BRETT BRADBURY CPA PC

Community Foundation of Orange

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BRETT BRADBURY CPA PC
NONPROFIT AUDIT |
REVIEW | COMPILATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Foundation of Orange
Orange, California

Opinion

I have audited the accompanying financial statements of Community Foundation of Orange (nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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 my opinion, the financial statements present fairly, in all material respects, the financial position of Community Foundation of Orange as of December 31, 2024, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Community Foundation of Orange and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Prior Period Financial Statements

The financial statements of Community Foundation of Orange as of and for the year ended December 31, 2023 were audited by another auditor whose report dated August 1, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Orange's, 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

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Community Foundation of Orange'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Foundation of Orange's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Brett Bradbury CPA PC

Long Beach, California

June 2, 2025

Community Foundation of Orange
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 293,274	\$ 297,879
Certificates of deposit	128,205	123,480
Investments - undesignated	279,035	259,652
Prepaid expenses	5,441	10,184
Prepaid deposits	20,062	19,757
Total Current Assets	726,017	710,952
Long-Term Assets		
Investments - board designated	343,473	314,074
Property and equipment, net	-	-
Intangible assets, net	-	351
Security deposit	1,653	1,519
Total Long-Term Assets	345,126	315,944
Total Assets	\$ 1,071,143	\$ 1,026,896
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,729	\$ 2,150
Accrued payroll	7,656	6,139
Notes payable, current portion	2,362	2,489
Total Current Liabilities	11,747	10,778
Long-Term Liabilities		
Notes payable, net of current portion	97,638	94,890
Total Long-Term Liabilities	97,638	94,890
Total Liabilities	109,385	105,668
Net Assets		
Without donor restrictions		
Undesignated	411,697	473,266
Board designated	343,473	314,074
	755,170	787,340
With donor restrictions	206,588	133,888
Total Net Assets	961,758	921,228
Total Liabilities and Net Assets	\$ 1,071,143	\$ 1,026,896

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

Community Foundation of Orange
Statements of Activities
Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 44,821	\$ 235,639	\$ 280,460	\$ 175,733	\$ 22,175	\$ 197,908
In-kind contributions	35,757	-	35,757	-	-	-
Special event revenue	125,507	-	125,507	23,423	44,735	68,158
Net assets released from restrictions	162,939	(162,939)	-	62,912	(62,912)	-
Total Support and Revenue	369,024	72,700	441,724	262,068	3,998	266,066
Expenses						
Program	332,988	-	332,988	170,213	-	170,213
Management and general	42,199	-	42,199	33,316	-	33,316
Fundraising	44,095	-	44,095	70,182	-	70,182
Costs of direct benefits to donors	50,948	-	50,948	23,423	-	23,423
Total Expenses	470,230	-	470,230	297,134	-	297,134
Nonoperating Revenue						
Investment income, net	70,812	-	70,812	53,453	-	53,453
Interest income	4,725	-	4,725	3,480	-	3,480
Other income	629	-	629	-	-	-
Loss on disposal of assets	(7,130)	-	(7,130)	-	-	-
Total Nonoperating Revenue	69,036	-	69,036	56,933	-	56,933
Change in net assets	(32,170)	72,700	40,530	21,867	3,998	25,865
Net assets, beginning of year	787,340	133,888	921,228	765,473	129,890	895,363
Net assets, end of year	\$ 755,170	\$ 206,588	\$ 961,758	\$ 787,340	\$ 133,888	\$ 921,228

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

Community Foundation of Orange
Statements of Functional Expenses
Years Ended December 31, 2024 and 2023

	2024					2023				
	Program	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total	Program	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and Related Expenses										
Salaries and wages	\$ 73,145	\$ 7,745	\$ 5,163	\$ -	\$ 86,053	\$ 64,770	\$ 6,858	\$ 4,572	\$ -	\$ 76,200
Payroll taxes	5,687	603	401	-	6,691	5,094	539	360	-	5,993
Employee benefits	269	28	19	-	316	341	36	24	-	401
Total Salaries and Related Expenses	79,101	8,376	5,583	-	93,060	70,205	7,433	4,956	-	82,594
Other Expenses										
Bank and merchant fees	-	3,402	-	-	3,402	-	3,055	-	-	3,055
Community support	-	-	-	-	-	64	-	3,836	-	3,900
Conferences and meetings	-	5,068	-	-	5,068	-	5,995	-	-	5,995
Cost of direct benefits to donors	-	-	-	50,948	50,948	-	-	-	23,423	23,423
Depreciation and amortization	-	-	-	-	-	466	46	70	-	582
Field of Valor program	30,556	-	-	-	30,556	100	-	22,230	-	22,330
Grants paid	48,500	-	-	-	48,500	41,750	-	-	-	41,750
Information technology	633	71	87	-	791	636	675	-	-	1,311
Insurance	3,796	427	522	-	4,745	1,655	186	228	-	2,069
Interest expense	2,586	2,585	2,586	-	7,757	689	709	689	-	2,087
KidsPlay program	45,390	-	-	-	45,390	35,281	-	-	-	35,281
Licenses and fees	80	9	11	-	100	-	125	-	-	125
Marketing and promotion	16,543	956	31,865	-	49,364	-	3,354	35,718	-	39,072
Office expense	-	961	-	-	961	942	106	130	-	1,178
Postage and delivery	77	76	76	-	229	32	32	33	-	97
Professional fees	-	17,459	-	-	17,459	592	8,788	41	-	9,421
Program supplies	4,587	-	-	-	4,587	-	-	-	-	-
Rent expense	17,552	1,975	2,413	-	21,940	16,764	1,775	1,183	-	19,722
Small equipment	2,977	335	409	-	3,721	-	-	-	-	-
Telephone	300	300	300	-	900	1,037	1,037	1,068	-	3,142
Tree lighting program	78,540	-	-	-	78,540	-	-	-	-	-
Utilities	1,770	199	243	-	2,212	-	-	-	-	-
Total Other Expenses	253,887	33,823	38,512	50,948	377,170	100,008	25,883	65,226	23,423	214,540
Total Expenses	\$ 332,988	\$ 42,199	\$ 44,095	\$ 50,948	\$ 470,230	\$ 170,213	\$ 33,316	\$ 70,182	\$ 23,423	\$ 297,134

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

Community Foundation of Orange
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 40,530	\$ 25,865
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	-	582
Net realized and unrealized gain on investments	(27,912)	(27,372)
Loss on disposal of intangible assets	351	-
Reinvested certificates of deposit proceeds	(4,725)	-
Correction of prior period EIDL loan classification	2,621	(2,621)
(Increase) decrease in operating assets:		
Employee retention credit receivable	-	32,463
Prepaid expenses	4,743	(3,405)
Prepaid deposits	(305)	-
Security deposit	(134)	(19,757)
Increase (decrease) in operating liabilities:		
Accounts payable	(421)	(1,928)
Accrued payroll	1,517	(38)
Net cash provided by operating activities	16,265	3,789
Cash Flows from Investing Activities		
Purchases of investments	(251,499)	(196,090)
Proceeds from sales of investments	230,629	72,085
Net cash used in investing activities	(20,870)	(124,005)
Net decrease in cash and cash equivalents	(4,605)	(120,216)
Cash and cash equivalents, beginning of year	297,879	418,095
Cash and cash equivalents, end of year	\$ 293,274	\$ 297,879
Cash and cash equivalents consists of:		
Unrestricted cash and cash equivalents	\$ 86,686	\$ 163,991
Restricted cash and cash equivalents	206,588	133,888
	\$ 293,274	\$ 297,879
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 7,757	\$ 2,087
Income taxes paid	\$ -	\$ -

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

Community Foundation of Orange

Notes to Financial Statements

NOTE 1 – FOUNDATION

The Community Foundation of Orange (the “Foundation”) is a nonprofit organization based in Orange, California, dedicated to preserving and enhancing the sense of community in the greater Orange area. Established in 2000, the Foundation supports programs that promote youth development, education, the arts, athletics, and civic engagement.

The Foundation connects donors and community partners to local needs by providing funding, coordination, and leadership for initiatives that strengthen the community. Signature efforts include the Field of Valor, which honors veterans and active-duty military, as well as youth scholarships, athletic and arts enrichment, and support for individuals with special needs.

The Foundation collaborates with schools, service organizations, local businesses, and residents to identify priorities and deliver impactful programming. The Foundation is a California nonprofit public benefit corporation and is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. It is supported through individual and corporate contributions, grants, and fundraising events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The statements of financial position are presented in order of liquidity.

The Foundation classifies revenue, other support, and expenses into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The Foundation’s Board of Directors has designated certain net assets be reserved for future program use. See Note 10.
- *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include bank checking accounts used for operating purposes and highly liquid investments available for current use with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

Community Foundation of Orange

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certificates of Deposit

Certificates of deposit with original maturities greater than three months are reported at cost, which approximates fair value. Certificates of deposit are recorded at amortized cost, or cost plus accrued interest, and are not subject to fair value reporting.

Prepaid Expenses

Prepaid expenses represents amounts paid prior to the respective year end for which the benefit received will occur in subsequent fiscal years.

Prepaid Deposits

Prepaid deposits are advance payments for the Foundation's special events scheduled for the upcoming year.

Investments

Investments are recorded at fair value at quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment. In addition to gains and losses on investment sale transactions, investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the average cost method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Fair Value Measurements

The Foundation carries certain assets and liabilities at fair value. 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. Certain financial instruments are carried at cost on the statements of financial position, which approximates fair value due to their short term, highly liquid nature.

The Foundation classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Community Foundation of Orange

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Examples of such assets are actively traded stocks, bonds, and mutual funds. This Level of data is given priority over Level 2 and 3 data in establishing fair market value.
- Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly. An example of such an asset is an investment that is not traded actively and therefore no quoted price is available, but other similar investments have traded recently, or other data such as interest or yield rates are available that allows for a valuation of the asset. This Level of data is given priority over Level 3 data in establishing a fair market value.
- Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data. In this situation, unobservable data may be used to make the best fair value determination possible.

Property and Equipment

Property and equipment used in the operations of the Foundation are stated at cost or, if donated, at the fair value at the date of contribution. All donated assets are reported as unrestricted support unless donors' stipulations specify how the assets must be used. The Foundation reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies with donor restricted net assets to without donor restricted net assets at that time. Property and equipment with a cost of at least \$2,500 and a useful life of three years or more is capitalized. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Computer equipment	3 years
Furniture and fixtures	5-7 years
Flag poles	15 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that increase the fixed asset values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by depreciation taken prior to the sale. Gains and losses are recognized in the statements of activities and changes in net assets upon disposal of property and equipment.

Intangible Assets

Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Community Foundation of Orange

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-lived Assets

The Foundation reviews its investment in long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2024 and 2023, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

Security Deposits

Security deposits are amounts paid on lease agreements that are expected to be refunded at the end of the lease term unless renewed.

Leases

The Foundation leases office space under an operating lease. The Foundation determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if the Foundation has obtained substantially all of the rights to the underlying asset through exclusivity, if the Foundation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying statements of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Foundation has elected to use the risk-free discount rate of a period comparable with that of the lease term based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. For operating leases, lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise.

For the years ended December 31, 2024 and 2023, the Foundation's office lease qualified as a short-term lease and, as such, was not recorded as a right-of-use asset or operating lease liability.

Community Foundation of Orange

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Foundation has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Foundation fails to overcome the barrier. The Foundation recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional promises to give (pledges receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Amounts received that are restricted for future periods or by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

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 as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation may receive in-kind contributions from various donors. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Foundation needed to purchase from an outside source. The fair market value is determined through active markets of identical or similar items. For the years ended December 31, 2024 and 2023, the Foundation received in-kind contributions of \$35,757 and \$0, respectively. See Note 13.

Special Event Revenue

Revenue from special events consists of sponsorships, ticket sales, and contributions associated with the annual gala. Sponsorship and ticket revenue are recognized in the period in which the event takes place.

Contributed Services

Several volunteers have donated significant amounts of time and services to the Foundation's program operations and to its fundraising campaigns. Contributed services are recognized by the Foundation if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under U.S. GAAP.

Community Foundation of Orange

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation has been classified as a publicly supported, tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken by the Foundation. As of December 31, 2024 and 2023, management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

The Foundation's returns are subject to potential examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed. Any interest or penalties assessed to the Foundation are recorded in other expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing the various program and support services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management which is based on the prorated share of direct program expenses incurred by the programs for operating expenses. Expenses that can be identified with specific programs and supporting services are allocated directly according to their natural expenditure classification.

Marketing and Promotion

The Foundation expenses marketing and promotion costs as they are incurred. These costs are incurred to promote fundraising events and its programs. Marketing and promotion costs for the years ended December 31, 2024 and 2023, were \$49,364 and \$61,402, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues, expenses and changes in net assets during the reporting period. While management believes that these estimates are adequate as of December 31, 2024 and 2023, it is possible that actual results could differ from those estimates, and the difference could be material to the financial statements.

Community Foundation of Orange Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Pronouncements

Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*. ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require the Foundation to use forward looking information to better formulate its credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and early adoption is permitted.

At the beginning of the first quarter of 2023, the Foundation adopted ASU 2016-13. The Foundation adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Foundation’s financial statements.

Reclassifications

Certain amounts in the December 31, 2023 financial statements have been reclassified to conform to the December 31, 2024 presentation. Such reclassifications have no effect on reported change in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditure, that is, without donor or other restrictions limiting their use, comprise the following as of December 31:

	2024	2023
Cash and cash equivalents	\$ 293,225	\$ 297,879
Certificates of deposit	128,205	123,480
Investments	622,508	573,726
Financial assets available within one year	1,043,938	995,085
Less amounts not available to be used in operations:		
Board-designated endowment	(343,473)	(314,074)
Donor imposed restrictions	(206,588)	(133,888)
Total financial assets available for general use	\$ 493,877	\$ 547,123

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Community Foundation of Orange Notes to Financial Statements

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31:

	2024	2023
Fixed income	\$ -	\$ 58,304
Mutual funds	400,754	283,570
Equities	77,289	127,597
Exchange-traded funds	98,343	59,062
Real estate investment trusts	46,122	45,193
	\$ 622,508	\$ 573,726

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	\$ -	\$ -	\$ -	\$ -
Mutual funds	400,754	-	-	400,754
Equities	77,289	-	-	77,289
Exchange-traded funds	98,343	-	-	98,343
Real estate investment trusts	-	-	46,122	46,122
	\$ 576,386	\$ -	\$ 46,122	\$ 622,508

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	\$ 58,304	\$ -	\$ -	\$ 58,304
Mutual funds	283,570	-	-	283,570
Equities	127,597	-	-	127,297
Exchange-traded funds	59,062	-	-	59,062
Real estate investment trusts	-	-	45,193	45,193
	\$ 528,533	\$ -	\$ 45,193	\$ 573,726

The Foundation holds investments in non-traded real estate investment trusts (REITs), including Hines Global Income Trust and Blackstone Real Estate Income Trust (BREIT). These investments are not publicly traded and are valued using their respective net asset values (NAVs) as reported by the issuers. The NAVs are calculated by the REITs in accordance with their valuation policies and procedures and are updated monthly.

Because the NAVs are based on significant unobservable inputs — including third-party appraisals, discounted cash flow analyses, and internally developed assumptions about rental growth, capitalization rates, and liquidity discounts — these investments are classified as Level 3 within the fair value hierarchy.

Community Foundation of Orange Notes to Financial Statements

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table represents the Foundation’s Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs for the years ended December 31:

2024			
Investment	Fair Value	Valuation Technique	Unobservable Inputs
Blackstone BREIT (T Shares)	\$ 24,960	Net asset value	Discount rate, cap rate
Hines Global Income Trust (T Shares)	21,162	Net asset value	Discount rate, cap rate
	\$ 46,122		

2023			
Instrument	Fair Value	Valuation Technique	Unobservable Inputs
Blackstone BREIT (T Shares)	\$ 24,694	Net asset value	Discount rate, cap rate
Hines Global Income Trust (T Shares)	20,499	Net asset value	Discount rate, cap rate
	\$ 45,193		

There were no transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2024 and 2023.

Investment income was comprised of the following for the years ended December 31:

	2024	2023
Interest and dividend income	\$ 46,388	\$ 29,092
Realized gain (loss) on investments	10,364	(8,871)
Unrealized gain on investments	17,548	36,243
Investment fees	(3,488)	(3,011)
	\$ 70,812	\$ 53,453

Community Foundation of Orange Notes to Financial Statements

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	2024	2023
Insurance	\$ 4,355	\$ 3,405
Information technology	691	-
Gala- fundraising	395	-
Supplies	-	6,779
	\$ 5,441	\$ 10,184

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2024	2023
Computer equipment	\$ -	\$ 4,105
Furniture and fixtures	-	7,081
Flag poles	-	8,955
	-	20,141
Accumulated depreciation	-	(20,141)
Property and equipment, net	\$ -	\$ -

Depreciation expense for the years ended December 31, 2024 and 2023 was \$0 and \$523, respectively.

For the year ended December 31, 2024, the Foundation reclassified all property and equipment out of fixed assets, as each item either did not meet the capitalization threshold under the Foundation’s policy or was no longer in use.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2024	2023
Website	\$ -	\$ 8,126
Trademark	-	1,000
	-	9,126
Accumulated amortization	-	(8,775)
Intangible assets, net	\$ -	\$ 351

Amortization expense for the years ended December 31, 2024 and 2023 was \$0 and \$59, respectively.

For the year ended December 31, 2024, the Foundation reclassified all intangible assets out of the intangible asset category, as each item either did not meet the capitalization threshold under the Foundation’s policy or was no longer in use.

Community Foundation of Orange

Notes to Financial Statements

NOTE 8 – ECONOMIC INJURY DISASTER LOAN

In June 2020, the Foundation received a \$100,000 Economic Injury Disaster Loan (“EIDL”) through the U.S. Small Business Administration (SBA) under its COVID-19 relief assistance program. In connection with the loan, the Foundation executed (1) a promissory note in favor of the SBA, which includes customary default provisions, and (2) a Security Agreement granting the SBA a security interest in all tangible and intangible personal property of the Foundation, also subject to customary default terms.

The loan bears interest at an annual rate of 2.75%, accruing from the date of disbursement. Monthly installment payments of \$428 began in November 2022, with payments applied to interest only until the outstanding balance, including accrued interest, is reduced below \$100,000. The full balance of principal and interest is due 30 years from the date of the loan agreement.

Future principal payments on the EIDL are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 2,362
2026	2,427
2027	2,495
2028	2,564
2029	2,636
Thereafter	87,516
	<u>100,000</u>
Less: current portion of notes payable	(2,362)
Long-term portion of notes payable	<u>\$ 97,638</u>

NOTE 9 – CONTINGENCIES

Grants and Contracts

Certain services of the Foundation are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Foundation will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current grants, or the inability to obtain future grants, could have an adverse effect on the Foundation's financial position and results of operations. Failure of the Foundation to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Sponsorships

The Foundation receives a significant amount of its support from sponsorships. A significant reduction in the level of this support may have an adverse effect on the Foundation's programs and activities. Management does not project significant reductions in the near future.

Community Foundation of Orange Notes to Financial Statements

NOTE 10 – NET ASSETS WITHOUT RESTRICTIONS - BOARD DESIGNATED FUNDS

General Description and Board Administration of Endowment Fund

The Finance Committee has interpreted and agreed to exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence “to any investment as part of the total portfolio, rather than the individual investments.” All investment actions and decisions must be based solely on the best interests of the Fund. Also, UPMIFA states that the Finance Committee is under a duty to the Foundation to manage the Fund under its care as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances.

This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the Fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Fund. In making and implementing investment decisions, the Finance Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Fund are better served without diversifying.

During the year ended December 31, 2021, the Board of Directors elected to transfer funds to a board designated endowment fund. The Foundation’s endowment consists of funds designated by the board of directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the Foundation’s endowment does not include any donor-restricted funds, the entire amount of its endowment has been classified as without restrictions. The goal of the endowment fund is to support the Foundation’s programs and ensure a strong future by providing a continuing stream of income to meet the increasing demand for the Foundation’s programs.

Investment Policy and Objectives for Endowment Fund

The endowment is invested in accordance with the Foundation’s investment policy. Investments are placed in a diversified balance portfolio consisting of fixed income, equities, mutual funds, and exchange-traded funds.

The Foundation has adopted investment and spending policies for endowment assets, approved by the Board of Directors, that attempt to provide a predictable stream of funding for the programs supported by its endowment assets while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes fixed income, equities, mutual funds, and exchange-traded funds; that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The performance of endowment funds’ investments is reported on a monthly basis. The performance objective for endowment funds is to achieve a rate of return consistent with the expected return of the target allocation as highlighted in the investment policy.

Over a three to five-year period or market cycle, the rate of return earned by the endowment funds should exceed the annualized total return of the custom index or moderate target risk index.

Community Foundation of Orange Notes to Financial Statements

NOTE 10 – NET ASSETS WITHOUT RESTRICTIONS - BOARD DESIGNATED FUNDS (continued)

Spending Policy for Endowment Funds

The policy of the Foundation is not to distribute earnings which are determined each year for each endowed gift within the endowment fund. Spending will occur each year for those endowed gifts that have market values equal to greater than their historical dollar value. Each year, the Board will approve a spending rate to determine the total potential spendable earnings and rate each year. The policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Board designated endowment fund assets at December 31 consists of the following:

	2024	2023
Cash	\$ 10,463	\$ 4,888
Fixed income	-	24,716
Mutual funds	265,038	188,196
Equities	24,808	66,137
Exchange-traded funds	43,164	30,137
	\$ 343,473	\$ 314,074

The following table is an analysis of changes in the board designated endowment fund for the years ended December 31:

	2024	2023
Balance, beginning of year	\$ 314,074	\$ 220,317
Investment return:		
Interest and dividend income	25,866	15,575
Net unrealized and realized gain on investments	18,095	90,101
Total investment return	43,961	105,676
Distributions	(12,563)	(10,194)
Investment fees	(1,999)	(1,725)
Balance, end of year	\$ 343,473	\$ 314,074

Community Foundation of Orange Notes to Financial Statements

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions received or receivable by the Foundation, which are limited in their use by the donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at December 31:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Field of Valor	\$ 138,191	\$ 87,335
KidsPlay	20,681	46,553
Tree Lighting	45,216	-
STEM Scholarships	2,500	-
Total Subject to Expenditure for Specified Purpose	206,588	133,888
Total Net Assets With Donor Restrictions	\$ 206,588	\$ 133,888

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2024	2023
Purpose Restrictions Accomplished:		
Field of Valor	\$ 38,305	\$ 26,395
KidsPlay	46,055	36,517
Tree Lighting	78,579	-
Total Purpose Restrictions Accomplished	162,939	62,912
Total Net Assets Released From Restrictions	\$ 162,939	\$ 62,912

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalents with major financial institutions. At times, such amounts may exceed Federal Depository Insurance Corporation (“FDIC”) limits. FDIC protection is \$250,000 per depositor, per insured bank, for each account ownership category. The Foundation has uninsured cash balances for the years ended December 31, 2024 and 2023 of \$149,755 and \$155,717, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Foundation’s investments have been placed with a major financial services company. At times, such amounts may exceed Securities Investor Protection Corporation (“SIPC”) limits. SIPC protection is up to \$500,000, which includes a \$250,000 limit for cash. SIPC protection insures against missing assets in customer accounts and restoring customer securities and cash when financial service companies are being liquidated. SIPC does not protect companies or individuals that are sold worthless stocks or securities or against any decline in value of stocks or securities. Although the fair value of investments is subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation. The Foundation has uninsured balances of \$147,336 and \$89,088 for the years ended December 31, 2024 and 2023, respectively.

Community Foundation of Orange Notes to Financial Statements

NOTE 12 – CONCENTRATION OF CREDIT RISK (continued)

For the year ended December 31, 2024, the Foundation received \$82,000 from two donors, which amounts to approximately 19% of total support and revenue received.

For the year ended December 31, 2023, the Foundation received \$40,000 from one donor, which amounts to approximately 15% of total support and revenue received.

NOTE 13 – DONATED GOODS AND SERVICES

Donated goods and services (Level 2 inputs) consisted of the following as of December 31, 2024:

	<u>Revenue Recognized</u>	<u>Program/ Activity Utilization</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Graphic design	\$ 30,794	Fundraising (Gala), Program (Field of Valor)	None	Market cost of services and goods provided
Laser-based land surveying	3,000	Program (Field of Valor)	None	Market cost services provided
Storage	1,500	Program (Field of Valor)	None	Market cost on current rental rates
Banners	463	Program (Field of Valor)	None	Market cost of similar goods
	<u>\$ 35,757</u>			

NOTE 14 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 2, 2025, the date which the accompanying financial statements were available to be issued.

Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.