



Consolidated Financial Statements
(With Comparative Financial Information as of
June 30, 2021)
June 30, 2022

Orangewood Foundation

Orangewood Foundation

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Independent Auditor's Report

Governing Board
Orangewood Foundation
Santa Ana, California

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orangewood Foundation (the Foundation) (a California Nonprofit Public Benefit Corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, 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 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 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 consolidated 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information such as the consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information on pages 33-37 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards and other supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the 2021 consolidated financial statements of the Foundation, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Rancho Cucamonga, California

October 27, 2022

Orangewood Foundation
Consolidated Statement of Financial Position
June 30, 2022
(with comparative totals for 2021)

	2022	2021
Assets		
Current assets		
Cash, cash equivalents, and restricted cash	\$ 9,721,606	\$ 16,432,540
Short-term investments	2,578,370	927,025
Contribution and note receivable, net	12,029,159	5,672,317
Contract receivable	1,520,097	3,788,813
Prepaid expenses	392,972	721,855
Total current assets	26,242,204	27,542,550
Non-current assets		
Restricted investments	10,648,997	10,436,073
Contribution and note receivable, net of current portion	1,166,929	2,031,235
Beneficial interest in perpetual trust	170,099	175,568
Property and equipment, net	69,921,957	64,414,644
Total non-current assets	81,907,982	77,057,520
Total assets	\$ 108,150,186	\$ 104,600,070
Liabilities		
Current liabilities		
Accounts payable	\$ 2,226,737	\$ 2,008,027
Deferred revenue	1,625,435	789,741
Refundable advance - Paycheck Protection Program (PPP)	-	1,152,883
Custodial fund payable	11,450	6,400
Current portion of notes payable	888,132	719,565
Total current liabilities	4,751,754	4,676,616
Long-term liabilities		
Notes payable, less current portion	14,519,662	19,339,903
Total liabilities	19,271,416	24,016,519
Net Assets		
Without donor restrictions	68,529,534	51,298,493
With donor restrictions	20,349,236	29,285,058
Total net assets	88,878,770	80,583,551
Total liabilities and net assets	\$ 108,150,186	\$ 104,600,070

Orangewood Foundation
Consolidated Statement of Activities
Year Ended June 30, 2022
(with comparative totals for 2021)

	Without donor Restrictions	With donor Restrictions	Total	
			2022	2021
Support and revenues				
Contributions	\$ 6,453,281	\$ 10,512,778	\$ 16,966,059	\$ 7,691,204
Charter School Income	-	8,400,117	8,400,117	6,553,536
Federal revenue	1,888,882	857,174	2,746,056	1,906,096
Other state revenue	-	2,688,512	2,688,512	2,032,540
PPP loan forgiveness revenue	-	1,152,883	1,152,883	1,801,316
Other contract revenue	1,353,765	-	1,353,765	800,758
Special events	818,517	409,378	1,227,895	1,149,220
Net Investment income (loss)	(345,214)	(1,162,703)	(1,507,917)	1,999,656
Rental income	81,530	-	81,530	92,229
In-kind contributions	503,359	-	503,359	511,847
Other income	67,300	-	67,300	32,601
Net assets released from restrictions	<u>31,793,961</u>	<u>(31,793,961)</u>	-	-
Total support and revenues	<u>42,615,381</u>	<u>(8,935,822)</u>	<u>33,679,559</u>	<u>24,571,003</u>
Expenses				
Program services	21,551,019	-	21,551,019	17,678,542
Management and general	2,631,620	-	2,631,620	2,283,347
Fundraising and development	<u>1,201,701</u>	<u>-</u>	<u>1,201,701</u>	<u>861,908</u>
Total expenses	<u>25,384,340</u>	<u>-</u>	<u>25,384,340</u>	<u>20,823,797</u>
Change in Net Assets	<u>17,231,041</u>	<u>(8,935,822)</u>	<u>8,295,219</u>	<u>3,747,206</u>
Net Assets, Beginning of Year	<u>51,298,493</u>	<u>29,285,058</u>	<u>80,583,551</u>	<u>76,836,345</u>
Net Assets, End of Year	<u>\$ 68,529,534</u>	<u>\$ 20,349,236</u>	<u>\$ 88,878,770</u>	<u>\$ 80,583,551</u>

Orangewood Foundation
 Consolidated Statement of Functional Expenses
 Year Ended June 30, 2022
 (with comparative totals for 2021)

	<u>Health & Wellness</u>	<u>Housing</u>	<u>Life Skills & Employment</u>	<u>Education</u>	<u>Total Program Services</u>
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -
Banking and merchant fees	-	-	1,495	-	1,495
Mentor and staff recruitment	-	2,722	1,019	12,746	16,487
Conferences/training	19,526	9,672	180	37,729	67,107
Contracted Services	186,505	68,797	(31)	351,747	607,018
Depreciation and amortization	4,370	63,450	191,557	2,355,510	2,614,887
Scholarships	-	-	-	757,086	757,086
Samueli Academy operating costs	-	-	-	893,633	893,633
Transitional housing costs	60,367	740,868	-	-	801,235
Collaborative courts program	-	88,801	-	-	88,801
Volunteer costs	-	-	1,275	-	1,275
ILP program and Resource Center	167,524	-	312,160	-	479,684
Mentoring & Community programs	24,196	-	3,072	-	27,268
Other direct program costs	70,004	-	3,916	-	73,920
Salaries and benefits	1,349,199	2,021,903	996,664	7,778,707	12,146,473
Accounting and Audit fees	2,500	-	-	-	2,500
Facility expense	29,366	52,334	104,250	473,881	659,831
Insurance expense	17,855	26,243	15,136	154,544	213,778
In-Kind Contributions used in Program	396,536	17,993	-	2,011	416,540
Marketing/public relations	4,605	77,204	490	38,530	120,829
Interest expense	-	-	22,970	617,133	640,103
Office equipment leases	5,379	3,086	-	42,387	50,852
Office expense	3,475	16,406	5,297	64,391	89,569
Property tax	-	1,112	-	-	1,112
Telephone expense	2,818	381	24,883	38,525	66,607
Travel and mileage	24,751	15,145	19,785	105,621	165,302
Technology	<u>53,893</u>	<u>20,501</u>	<u>100,047</u>	<u>373,186</u>	<u>547,627</u>
Total functional expenses	\$ 2,422,869	\$ 3,226,618	\$ 1,804,165	\$ 14,097,367	\$ 21,551,019

See Notes to Consolidated Financial Statements

Orangewood Foundation
 Consolidated Statement of Functional Expenses
 Year Ended June 30, 2022
 (with comparative totals for 2021)

	Management and General	Fundraising and Development	Total Support Services	Total Expenses	2021
Bad debt expense	\$ -	\$ 3,532	\$ 3,532	\$ 3,532	\$ 2,157
Banking and merchant fees	39,138	1,454	40,592	42,087	39,767
Mentor and staff recruitment	35,461	-	35,461	51,948	16,765
Conferences/training	27,207	6,438	33,645	100,752	54,955
Contracted Services	181,059	134,502	315,561	922,579	488,066
Depreciation and amortization	58,747	32,656	91,403	2,706,290	2,186,138
Scholarships	-	13,000	13,000	770,086	942,426
Samueli Academy operating costs	-	11,786	11,786	905,419	788,058
Transitional housing costs	-	-	-	801,235	726,477
Collaborative courts program	-	-	-	88,801	-
Volunteer costs	-	-	-	1,275	16,211
ILP program and Resource Center	-	-	-	479,684	140,566
Mentoring & Community programs	-	-	-	27,268	6,829
Other direct program costs	-	-	-	73,920	-
Salaries and benefits	1,912,666	853,388	2,766,054	14,912,527	12,520,153
Accounting and Audit fees	44,545	-	44,545	47,045	57,651
Facility expense	19,167	10,654	29,821	689,652	389,675
Insurance expense	8,686	-	8,686	222,464	193,863
In-Kind Contributions used in Program	-	86,819	86,819	503,359	510,967
Marketing/public relations	106,207	1,938	108,145	228,974	153,775
Interest expense	7,045	3,916	10,961	651,064	816,304
Office equipment leases	14,667	-	14,667	65,519	68,668
Office expense	85,246	20,146	105,392	194,961	114,377
Property tax	47,595	-	47,595	48,707	26,108
Telephone expense	5,968	3,318	9,286	75,893	70,144
Travel and mileage	2,867	1,100	3,967	169,269	68,277
Technology	35,349	17,054	52,403	600,030	425,420
Total functional expenses	\$ 2,631,620	\$ 1,201,701	\$ 3,833,321	\$ 25,384,340	\$ 20,823,797

Orangewood Foundation
Consolidated Statement of Cash Flows
Year Ended June 30, 2022
(with comparative totals for 2021)

	2022	2021
Operating Activities		
Change in net assets	\$ 8,295,219	\$ 3,747,206
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization expense	2,706,290	2,186,138
Bad debt expense	3,532	2,157
PPP loan forgiveness	(1,152,883)	(1,801,316)
Change in discount on contributions receivable	(324,201)	(238,350)
Loss on disposal of property and equipment	19,851	3,286
Net unrealized and realized (gain)/loss on investments	2,001,392	(1,788,117)
Changes in operating assets and liabilities		
Contributions receivable	(5,171,867)	13,351,916
Contracts receivable	2,268,716	(2,549,009)
Prepaid expenses	328,883	(106,332)
Accounts payable	218,710	179,108
Custodial funds payable	5,050	550
Deferred revenue	835,694	290,053
Refundable advance - PPP	-	1,152,883
Net Cash from Operating Activities	<u>10,034,386</u>	<u>14,430,173</u>
Investing Activities		
Purchases of property and equipment	(8,233,454)	(10,641,629)
Purchases of investments	(4,666,968)	(127,009)
Proceeds from the sale of investments	806,776	176,612
Net Cash used for Investing Activities	<u>(12,093,646)</u>	<u>(10,592,026)</u>
Financing Activities		
Proceeds from issuance of notes	-	655,300
Principal payments on notes	(4,651,674)	(3,136,334)
Net Cash used for Financing Activities	<u>(4,651,674)</u>	<u>(2,481,034)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	(6,710,934)	1,357,113
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>16,432,540</u>	<u>15,075,427</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 9,721,606</u>	<u>\$ 16,432,540</u>
Cash and cash equivalents	\$ 5,865,151	\$ 4,723,844
Restricted cash	3,856,455	11,708,696
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 9,721,606</u>	<u>\$ 16,432,540</u>
Supplemental Cash Flow Disclosure		
Cash paid during the period in interest	<u>\$ 651,064</u>	<u>\$ 812,182</u>
Non-cash accretion of interest	<u>\$ 46,322</u>	<u>\$ 61,054</u>

Note 1 - Principal Activity and Significant Accounting Policies

Orangewood Foundation (the Foundation), formerly known as Orangewood Children's Foundation, is a nonprofit organization that was incorporated in the State of California on November 20, 1980, with a vision of developing educated, self-sufficient adults, and stable, healthy families in our communities; and a mission to provide life-changing prevention and intervention programs for abused and neglected children, young adults and at risk families through one-on-one support and community partnerships for the purpose of ending the cycle of child abuse by providing innovative programs focused on:

- **Health & Wellness** – On a daily basis, Orangewood staff members help our youth with their physical, emotional, and “relational” health. Often, struggles in these areas become hurdles for our youth to achieve their other goals on the path to self-sufficiency, such as securing and maintaining housing and employment, learning and retaining life skills, and pursuing an education.
- **Housing** - The Foundation provides housing referrals and assistance, plus transitional housing through our four Rising Tide program sites. Among youth who visit our resource center, 55 percent indicated that they had been homeless or experienced unstable housing in the past six months.
- **Life Skills & Employment** - Several Orangewood Foundation programs help current and former foster youth learn essential life skills that children and teens from stable families often learn from their parents, either directly or through observation. Our programs also help youth find employment and develop job-readiness skills.
- **Education** - Orangewood Foundation programs help the community and foster youth develop and achieve their educational goals, from high school to college to graduate school. Orangewood Foundation helps foster and community youth develop and achieve their educational goals. Our programs include our Samueli Academy charter school, scholarships for college and graduate school, and education-related workshops.

The Foundation has the following consolidated affiliates (where the Foundation is the sole member) that were formed to perform charitable and educational activities in furtherance of the Foundation's activities (together, the Foundation): Orangewood Real Property LLC, Orangewood Residential LLC, and General William Lyon Workforce Academy LLC (LLCs).

In late 2011, Orangewood created a new legal entity, Samueli Academy, which was approved by the California Secretary of State in February 2012. The Internal Revenue Service (IRS) filing for this entity to become a separate 501(c)(3) nonprofit organization was completed on July 30, 2014.

The following are descriptions of the programs the Foundation offers:

Health & Wellness

Orangewood Resource Center - This is a drop-in center for Orange County youth up to age 24 offering services they need to become independent adults. These services include free use of computers, telephones, copiers and fax machines, educational activities, and resources for jobs, college, housing, and health. The youth have access to our onsite pantry to shop for groceries once a week, shower and laundry facility, hot meals, access to a mobile medical clinic twice a month, and onsite counseling and support group.

Project CHOICE- Project CHOICE is a drop-in center for youth ages 11-21 who are in or at risk of trafficking situations. This space is a safe, judgment-free environment where youth receive services and support. Our team provides support to empower youth through a survivor-centered and strength bases approach, prioritizing the health, safety, and stability of each youth. The services provided are hot meals and snacks, case management, showers, laundry, clothing, and hygiene items, Computer & printing services, a quiet place to rest, Individual therapy, workshops, and empowerment sessions like yoga, art, and drumming circle. Activities and fun outings, Health Education, Young mom's group, survivor leadership & peer mentors.

Housing

Rising Tide Communities - Rising Tide apartments, Flanders Pointe and Orange Tree, provide affordable and supportive transitional housing for young adults. Our goal is to help youth learn and experience the skills that are necessary to live independently. Youth (single or with children) who are 18-25 are eligible for this program.

Lighthouse and Graduate Apartments- The Lighthouse is a survivor-centered, trauma-informed, transitional housing program for youth ages 18-30, who are survivors of sex trafficking. Our home setting provides a caring and nurturing environment, with 24/7 support in a confidential location.

Casa De Rosemary- Casa de Rosemary is a transitional home for young mothers and their child. Through this two-year program, young moms will become self-sufficient, self-empowered, and resilient. Workshops on healthy relationships and positive parenting skills are provided.

Youth Engagement- Connecting youth and young adults experiencing homelessness to existing housing resources in the community. In Collaboration with Covenant House Youth Shelter and United Way's Welcome Home OC

Landlord Program we strive to assist youth through the entire process from emergency shelter to permanent housing.

Youth Engagement: Housing Navigation- Housing Navigation assists youth ages 18-30 in finding a home through collaboration with community apartment complexes and funds for housing stability

Youth Connected Program- Youth Connected Program (YCP) works in partnership with Samueli Academy to provide an on-campus dorm, along with academic assistance, to foster care youth grades 7-12. As a licensed, private Resource Family Agency, youth receive support from caregivers and staff 24/7.

Life Skills & Employment

Independent Living Program - The Independent Living Program (ILP) provides workshops and one-on-one guidance and support services through case management to help youth prepare for independence. Our goal is to help youth learn and experience the independent living skills necessary for adulthood. Youth in Foster care ages 16-21 and youth formally in foster care with housing vouchers ages 21-25 are eligible.

Peer Mentor Program - This program began in 1992 when Children's Trust Fund recipients, former foster children themselves, approached the Foundation wanting to give back and help other young abuse victims. Peer mentors are powerful role models who conduct mentoring sessions at Orangewood Children and Families Center and at Independent Living workshops.

The General William Lyon Workforce Academy- This Program offers young adults the opportunity of an exciting career path through an employment program in construction and related building trades. Youth will gain hands-on experience during a one-year paid training program with one of our corporate partners. Youth ages 18-25, have high school diploma or equivalent ability to pass a pre-employment drug screening authorization to work in the US.

Orangewood Grants - This program provides grants to eligible foster youth for special activities such as counseling, school supplies, ID's or passports, driver's education, extracurricular activities, and graduation expenses.

Mentoring - This is a program for selected current and former foster youth who are 18 and older, They are carefully matched with an adult volunteer in order to create a meaningful 1-on-1 relationship. This mentor receives intensive training from the Foundation and will provide a stable adult influence in the foster youth's life. The mentor will guide the foster youth through the various challenges he/she will encounter prior to and after emancipation from the foster care system.

Young Adult Court- Young Adult Court provides an opportunity for young males ages 18-24 who are first-time nonviolent felony offenders to reduce or dismiss their convictions. Through the 18-month program, youth are guided through one-on-one case management that explores health and wellness options, career advancement, and more.

Education

Orangewood Scholarships - This program offers financial assistance to current and former foster children, scholarships for college and trade school, and emergency funds for living expenses.

Advanced Studies - Similar to Orangewood Scholarships, this program provides former foster youth with educational assistance in the pursuit of an advanced degree or certification beyond their undergraduate course work.

Samueli Academy Scholarships - This program offers financial assistance to former students of Samueli Academy in the pursuit of an undergraduate degree.

Samueli Academy - Samueli Academy is a public charter school in Santa Ana that provides numerous unique features to prepare foster and underserved youth for higher education and a self-sufficient, healthy adult life. Some of the unique features of this project are:

- An individualized approach to academic instruction that utilizes the STEM and Project Based Learning curriculum;
- Future on-campus, family-style residential housing program for up to 48 foster youth students of the school;
- A wide array of afterschool programs and extracurricular activities to provide students with additional academic support and numerous athletic and arts opportunities; and
- Participation in classroom-based training and real-life experiences to provide youth the knowledge and tools for successful independent living.

Samueli Academy was awarded the first-ever charter from the Orange County Department of Education in February 2012. In addition, the Santa Ana City Council unanimously approved the project in September 2012. Samueli Academy received a five year renewal of its charter in June 2018.

Samueli Academy campus construction began in the Spring of 2013 and the first class of approximately 125 students were enrolled in August 2013. A new freshman class was added each year and Samueli Academy held its first graduation ceremony in June 2017 with a 99 percent graduation rate. The Samueli Academy was named a California Gold Ribbon School in 2017. In July 2015, the first two permanent buildings were completed.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and LLCs because the Foundation has controlling financial interest in the LLCs, as well as the Samueli Academy. All significant intercompany accounts and transactions have been eliminated in the consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Foundation.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

Comparative Financial Information

The accompanying 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 Unified States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited consolidated financial statements for the year ending June 30, 2021.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 statement of activities as net assets released from restrictions. The Foundation reports conditional contributions as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Cash and Cash Equivalents

The Foundation considers all cash including cash in the County Investment Pool and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Restricted Cash

Amounts included in restricted cash represent funds required to be set aside by a donor or contractual agreement.

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 consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statements of activities and consists of dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable.

The Foundation's contracts receivable are primarily reimbursements due from contracted government contract reimbursement requests.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution income for the difference.

The Foundation uses the allowances method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that an allowance of \$5,100 and \$1,568 is necessary as of June 30, 2022 and 2021, respectively.

Intra-Entity Transactions

Intra-entity transactions results from a net cumulative difference between resources provided by each entity to the charter school and reimbursement for those resources from the charter school to each entity. Intra-entity transfers include certain costs of shared liabilities and shared assets between the Foundation.

Property and Equipment

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Revenue and Revenue Recognition

Revenue is recognized when earned. The Foundation is funded primarily from contributions from the public, grant awards, special events and government contracts. The Foundation receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Foundation would otherwise purchase the services. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

In 2021 the Foundation was granted a \$1,152,883 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, Not-for-Profit – Revenue Recognition. The Foundation initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$1,152,883 as PPP loan forgiveness revenue for the year ended June 30, 2022.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, 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. Donated professional services are recorded at the respective fair values of the services received (Note 15).

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities, management and general activities or fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is a California non-profit 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. It is also exempt from State franchise and income taxes. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission.

Change in Accounting Principle

As of July 1, 2021, the Organization 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.

Note 2 - Samueli Academy

As described in Note 1, the Foundation has opened Samueli Academy to serve foster and community youth as a charter school. A separate audit has been completed for Samueli Academy as well as a combined audit that includes the Foundation and LLCs (excluding Samueli Academy). The Foundation has created three LLCs and completed (July 30, 2014) the process of creating a separate 501(c)(3) organization to administer the day-to-day activities of Samueli Academy. As of June 30, 2022, the Foundation has completed the construction of the Samueli Academy campus. This included the purchase of the property for \$7.6M and the construction of multiple educational buildings for \$62.2M (see Note 8). The acquisition and construction activities were financed through donor contributions and a promissory note from a bank (see Note 11).

Note 3 - Liquidity and Availability

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

Cash and cash equivalents	\$ 5,865,151
Short-term investments	<u>2,578,370</u>
 Total	 <u>\$ 8,443,521</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has committed lines of credit in the amount of \$4,500,000, which it could draw upon.

Note 4 - Fair Value Measurements and Disclosures

The Foundation has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs. Level 3 inputs are unobservable inputs related to the asset. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. Mutual funds and equities are invested and traded in the financial markets. Short-term investments (consisting primarily of money market funds) corporate, and agency, for which quoted prices are not readily available are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis, as identified in the following, at June 30, 2022:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments				
Short-term investments	\$ 675,643	\$ -	\$ -	\$ 675,643
Mutual funds	5,373,046	-	-	5,373,046
Equity securities	7,079,633	-	-	7,079,633
Beneficial interest in perpetual trust	-	-	170,099	170,099
Asset backed securities	99,045	-	-	99,045
Total	\$ 13,227,367	\$ -	\$ 170,099	\$ 13,397,466

The following table presents assets and liabilities measured at fair value on a recurring basis, as identified in the following, at June 30, 2021:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments				
Short-term investments	\$ 272,297	\$ -	\$ -	\$ 272,297
Mutual funds	4,327,298	-	-	4,327,298
Equity securities	6,664,459	-	-	6,664,459
Beneficial interest in perpetual trust	-	-	175,568	175,568
Asset backed securities	<u>99,044</u>	-	-	99,044
Total	\$ 11,363,098	\$ -	\$ 175,568	\$ 11,538,666

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

Note 5 - Investments

Investments consist of equity securities, mutual funds and alternative investments which are carried at fair value in accordance with current accounting guidance. Donated investments are recorded at the fair value at the date of donation.

Summary of Investments

Investments are recorded as follows in the consolidated statements of financial position at June 30, 2022 and 2021:

	2022	2021
Restricted investments - Endowment	\$ 8,562,456	\$ 9,728,479
Restricted investments - Lyon Workforce	1,169,252	99,044
Restricted investments - Advanced Studies	917,289	608,550
Beneficial interest in perpetual trust	<u>170,099</u>	<u>175,568</u>
Total restricted investments	10,819,096	10,611,641
Unrestricted investments	<u>2,578,370</u>	<u>927,025</u>
Total	<u>\$ 13,397,466</u>	<u>\$ 11,538,666</u>

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Net Investment income as of June 30, 2022 and 2021, consisted of the following:

	June 30, 2022		Total
	Endowments	Other	
Interest and dividends	\$ 450,803	\$ 134,118	\$ 584,921
Investment fees	(68,583)	(22,863)	(91,446)
Net realized and unrealized loss	<u>(1,609,567)</u>	<u>(391,825)</u>	<u>(2,001,392)</u>
Total	\$ (1,227,347)	\$ (280,570)	\$ (1,507,917)
	June 30, 2021		Total
	Endowments	Other	
Interest and dividends	\$ 231,299	\$ 56,912	\$ 288,211
Investment fees	(70,190)	(6,481)	(76,671)
Net realized and unrealized gain	<u>1,640,230</u>	<u>147,886</u>	<u>1,788,116</u>
Total	\$ 1,801,339	\$ 198,317	\$ 1,999,656

Beneficial Interest in Perpetual Trust

The fair value of the beneficial interest in perpetual trust fluctuates based on investment returns reported to the Foundation by a third party. This investment is subject to change based on decisions made by the third party and has been classified within Level 3 of the valuation hierarchy.

Cash Equivalents Recorded at Fair Value on a Recurring Basis

Deposits with county treasurer are an external investment pool sponsored by the County of Orange. County deposits are not required to be categorized. The pool provided the fair value for these deposits.

Note 6 - Contributions Receivable

Long-term contributions receivable (those expected to be collected over more than the next twelve months) have been discounted using the Foundation's borrowing rate in effect at the time of the pledge. As of June 30, 2022, the discount rate in effect was 3.75%.

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Future expected contributions receivable are as follows:

Year Ending June 30,	
2023	\$ 12,029,159
2024	746,400
2025	308,034
2026	135,000
2027	<u>25,100</u>
Subtotal	13,243,693
Less allowance for doubtful accounts	(5,100)
Less discount	<u>(42,505)</u>
Total	<u><u>\$ 13,196,088</u></u>

Note 7 - Contracts Receivable

Contracts Receivables at June 30, 2022 and 2021, consisted primarily of intergovernmental grants, entitlements and other local sources. All receivables are considered collectible in full.

<u>June 30, 2022</u>	Orangewood Foundation	Samueli Academy	Total
Contract receivables	\$ 100,268	\$ -	\$ 100,268
Governmental receivables	<u>413,276</u>	<u>1,006,553</u>	<u>1,419,829</u>
Total	<u><u>\$ 513,544</u></u>	<u><u>\$ 1,006,553</u></u>	<u><u>\$ 1,520,097</u></u>
<u>June 30, 2021</u>	Orangewood Foundation	Samueli Academy	Total
Contract receivables	\$ 16,733	\$ -	\$ 16,733
Governmental receivables	<u>259,965</u>	<u>3,512,115</u>	<u>3,772,080</u>
Total	<u><u>\$ 276,698</u></u>	<u><u>\$ 3,512,115</u></u>	<u><u>\$ 3,788,813</u></u>

Note 8 - Property and Equipment

At June 30, 2022 and 2021, land, property, and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 10,273,312	\$ 10,273,312
Furniture, fixtures, and equipment	4,025,972	2,894,579
Building	64,122,327	54,159,880
Building improvements	2,679,810	1,940,455
Vehicles	130,538	130,538
Work in progress	-	3,814,777
 Subtotal	 81,231,959	 73,213,541
Less accumulated depreciation	(11,310,002)	(8,798,897)
 Total	 <u>\$ 69,921,957</u>	 <u>\$ 64,414,644</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$2,706,290 and \$2,186,138, respectively.

Note 9 - Beneficial Interest in Perpetual Trust

The Foundation was named as a beneficiary of the Orangewood Foundation Endowment Fund (the Fund), established in 1995. The Foundation is entitled to a distribution of the income on an annual basis as determined by the Board of Directors of the Orange County Community Foundation (OCCF), which are the Fund administrators. The assets of the OCCF Fund as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Beneficial Interest in Perpetual Trust with Donor Restrictions		
Endowments		
Initial contribution	\$ 38,000	\$ 38,000
Foundation match	45,000	45,000
Contribution - Dorothy M. Booth Charitable Trust	<u>7,500</u>	<u>7,500</u>
Total beneficial interest in perpetual trust with donor restrictions endowments	<u>\$ 90,500</u>	<u>\$ 90,500</u>
Beneficial Interest in Perpetual Trust with Donor Restrictions unappropriated earnings on endowment investments		
Cumulative gain on investments	\$ 191,006	\$ 196,475
Cumulative distributions	<u>(111,407)</u>	<u>(111,407)</u>
Total beneficial interest in perpetual trust with donor restrictions	<u>79,599</u>	<u>85,068</u>
Total	<u>\$ 170,099</u>	<u>\$ 175,568</u>

Note 10 - Custodial Funds Payable

The Foundation holds deposits for youth apartments rented by Orangewood for the youth. At June 30, 2022 and 2021, custodial funds payable relating to these pass-through transactions was \$11,450 and \$6,400, respectively.

Note 11 - Notes Payable

Loans and notes payable for the year ended June 30, 2022, are summarized as follow:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in one year
F & M Construction notes payable	\$ 10,949,659	\$ -	\$ (385,050)	\$ 10,564,609	\$ 404,784
F & M Construction notes payable Series A	8,163,808	-	(4,153,684)	4,010,124	365,521
F & M Mortgage payable	932,837	-	(107,466)	825,371	112,024
Toyota Vehicle Loan	13,164	-	(5,474)	7,690	5,803
Total	\$ 20,059,468	\$ -	\$ (4,651,674)	\$ 15,407,794	\$ 888,132

Loans payable consisted of the following at June 30, 2022:

	2022	2021
Obligation under note payable, maximum borrowing of \$12,660,000, secured by a deed of trust on the real property purchased in fiscal year 2012, guaranteed by the Foundation, refinanced through a tax free interest rate program from the California Enterprise Development Authority at 3.40 percent interest. Payments are amortized over a 25 year period with 120 payments of \$63,039. The final payment will be for any unpaid principal and interest on June 30, 2026.	\$ 10,564,609	\$ 10,949,659
Obligation under note payable, maximum borrowing of \$20,500,000, secured by a deed of trust on the real property purchased in fiscal year 2012, guaranteed by the Foundation, new construction financed through a tax free interest rate program from the California Enterprise Development Authority at 3.75 percent interest. 24 Interest Only Payments commencing with the first interest payment on April 1, 2019 followed by 96 principal & interest payments (P&I). P&I is calculated based upon the outstanding debt balance at the end of the 24 interest only period and is calculated on a 25 year amortization. The final payment will be for any unpaid principal and interest on April 1, 2029.	4,010,124	8,163,808
Term note payable to bank, secured by vehicle lien on 2018 Toyota Sienna. 60 monthly payments of \$508.40 at 5.85 percent interest.	7,690	13,164
Term note payable to bank, secured by a deed of trust on the Foundation and Headquarter buildings and building improvements, payable in 120 monthly installments of \$11,756 including interest. Refinanced in February 2019.	825,371	932,837
Total	\$ 15,407,794	\$ 20,059,468

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Future minimum annual principal payments on the loans payable for the fiscal year ended are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 888,132
2024	916,371
2025	947,736
2026	982,205
2027	9,414,405
Thereafter	<u>2,258,945</u>
 Total	 <u>\$ 15,407,794</u>

Note 12 - Net Assets

Net Assets at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Net Assets Without Donor Restrictions		
Undesignated net assets	<u>\$ 68,529,534</u>	<u>\$ 51,298,493</u>
Net Assets With Donor Restrictions		
Subject to expenditure for specified purpose		
Cash and Receivables Pledged against Samueli Academy campus debt Phase 2	\$ 1,949,549	\$ 2,510,386
Cash and Receivables Pledged against Samueli Academy campus expansion and debt Phase 3	5,911,456	6,987,248
Cash and Receivables Pledged against Samueli Academy campus expansion Phase 4	1,634,439	7,846,042
Net Assets General William Lyon Workforce Academy	1,341,062	1,199,800
Net Assets Youth Connected Program	135,315	228,983
Orangewood Foundation Scholarships	726,420	1,336,659
Samueli Academy Scholarships and Operations	1,401,234	2,132,931
Advanced Studies	<u>815,302</u>	<u>608,550</u>
Total	<u>13,914,777</u>	<u>22,850,599</u>
Perpetual in nature subject to the Organization's endowment spending policy and appropriation		
Orangewood Foundation Scholarships	1,934,459	1,934,459
Samueli Academy Scholarships and Operations	<u>4,500,000</u>	<u>4,500,000</u>
Total	<u>6,434,459</u>	<u>6,434,459</u>
Total net assets with donor restrictions	<u>\$ 20,349,236</u>	<u>\$ 29,285,058</u>

Note 13 - Endowments

The Foundation's endowments are exclusively donor restricted, consisting of the Orangewood Scholarships Endowment, Samueli Academy Scholarships Endowment, and the OCCF Fund (see Note 9).

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Foundation's Board of Directors, as authorized by California law, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and officers, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as perpetually restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

Net investment income (loss) on endowment net assets is reported as an increase in temporarily restricted net assets until those amounts are appropriated for expenditure under the Foundation's spending policy by the Foundation's Investment Committee.

Changes to endowment net assets are as follows for the years ended June 30, 2022 and 2021:

	With Donor Restriction
Endowment Net Assets at June 30, 2020	\$ 8,914,113
Net contributions	320,092
Investment gain, net	1,801,339
Appropriation of endowment investment for Advanced Studies Scholarships & Expenses	(135,447)
Appropriation of endowment investment for Samueli Scholarships & operations	(276,772)
Appropriation of endowment holdings to Capital	<u>(110,716)</u>
Endowment Net Assets at June 30, 2021	10,512,609
Net contributions	1,977,797
Investment loss, net	(1,227,347)
Board approved Advanced Studies transfer to endowment from unrestricted	169,056
Appropriation of endowment holdings to Lyon Workforce Academy	(200,000)
Appropriation of endowment investment for Advanced Studies Scholarships & Expenses	(104,019)
Appropriation of endowment investment for Samueli Scholarships & operations	(159,000)
Appropriation of endowment investment for Orangewood Foundation schoarships	<u>(150,000)</u>
Endowment Net Assets at June 30, 2022	<u>\$ 10,819,096</u>

Investment and Spending Policies

The Foundation's investment and spending policies are set by the Foundation's Investment Committee, which seek to preserve the real purchasing power of the endowment assets, net of inflation, fees, and annual distributions for grants and expenses. In accordance with the Foundation's investment policy, the endowment assets shall be considered as two parts: an "equity fund" and a "fixed income fund." The equity fund may be diversified with investments in global marketable equities, which should account for between 40 percent and 65 percent of the portfolio. A zero-15 percent allocation can be made to real assets, hedge fund strategies, private equity and other "opportunistic" investments, the fixed income fund should account for at least 20 percent, but not more than 45 percent, of the portfolio.

The Foundation's Spending Policy allows for an annual transfer from accumulated earnings on endowment assets of an amount representing zero-5 percent of the CTF Endowment assets to the Foundation to fund current year scholarship obligations. However, if the balance of the CTF Endowment investments is below the corpus, all earnings will first replenish the CTF Endowment investments until all amounts required by law are replenished. As of June 30, 2022, and 2021, there were no deficiencies in the CTF Endowment corpus.

Note 14 - Special Events and Auxiliaries

Special events/auxiliaries include revenue and expenses from events sponsored and managed by the Foundation and other events where the Foundation is a beneficiary of the event but does not incur substantial costs or bear significant responsibility in facilitating the event.

Income and expenses from special events/auxiliaries for the years ended June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Revenues, gross	\$ 2,176,905	\$ 1,611,893
Cost of direct benefit	<u>(949,010)</u>	<u>(462,673)</u>
Total	<u>\$ 1,227,895</u>	<u>\$ 1,149,220</u>

Note 15 - In-Kind Contributions

Contributed nonfinancial assets recognized within the statement of activities included for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Clothing, hygiene and school supplies	\$ 436,359	\$ 511,847
COVID mask and test kits	6,000	-
Food	24,500	-
Computer equipment	<u>36,500</u>	<u>-</u>
Total	<u>\$ 503,359</u>	<u>\$ 511,847</u>

The Foundation recognized contributed nonfinancial assets within revenue, including clothing, hygiene and supplies, COVID masks and test kits, food, and computer equipment.

Clothing, hygiene, and supplies - the contributed clothing, hygiene products and school supplies will be used for giving youth the opportunity to receive brand new clothing and new school supplies and backpacks for the school year. This donation will greatly help the youth be successful in school and work with new clothing and supplies.

Covid masks and tests - the contributed COVID kits will be used for assisting youth with free covid test. These were specifically used for youth living in the housing and testing youth in the facilities when they felt sick and covid cases were high.

Food - the contributed food will be used to feed the 40 youth who stop by the resource center Monday-Friday. This warm meal is basic need provided at the resource center.

Computer equipment - the contributed computer equipment was given to youth who have access to a computer/iPad for school, work, and job search.

All gifts-in-kind received during the years ended June 30, 2022 and 2021 were unrestricted.

Note 16 - Employee Retirement Systems

The Foundation has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code as of October 1, 2001, whereby employees may elect to defer a portion of their compensation to be invested in annuity contracts on their behalf. This plan was closed to new participants in 2007.

On July 30, 2007, the Foundation started a 403(b) plan (the Plan). The discretionary employer contribution for each of the years 2021 and 2022 was 100% of the first \$2,000 of employee contributions. Vesting in the employer match is over five years at 20 percent per year. Employees become eligible as of the first of the month following the date of hire. The employer contributions made to this plan during the fiscal years ended June 30, 2022 and 2021, were \$111,561 and \$93,021, respectively.

On October 1, 2007, the Foundation established a tax deferred 457(b) Retirement Plan for certain key executives. Employee and employer contributions made to the plan are immediately 100 percent vested. The Foundation made a \$25,000 and \$20,000 discretionary contribution for the year ended June 30, 2022 and June 30, 2021, respectively.

Qualified employees with Samueli Academy are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

The details of the plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

Samueli Academy contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total actuarial value of assets are \$190.4 billion, the actuarial obligation is \$297.6 billion, contributions from all employers totaled \$4.7 billion, and the plan is 64% funded.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

Samueli Academy contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age		
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, Samueli Academy and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and Samueli Academy's total contributions were \$680,718. Samueli Academy's total contributions for the year ended June 30, 2021, were \$547,333.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Samueli Academy. These payments consist of State General Fund contributions to CalSTRS in the amount of \$403,282 (10.828% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 17 - Contingencies

The Foundation and Samueli Academy have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Guarantees and Indemnities

During the normal course of business, the Foundation has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Foundation's officers, under which the Foundation may be required to indemnify such person for liabilities arising out of their employment relationship. Additionally, the Foundation indemnifies banks under the line of credit agreement and promissory note agreement against certain claims as a result of the violation of any law. The Foundation has also indemnified a bank for certain environmental liability losses which may be incurred related to the corresponding land, building, and improvements. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Foundation could be obligated to make. The Foundation hedges some of the risk associated with these potential obligations by carrying general liability insurance. Historically, the Foundation has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the consolidated statement of financial position.

Note 18 - Related Party Transactions

Various board members make contributions to the Foundation through donations, fundraising events, and volunteer time. General contributions recorded from board members during the years ended June 30, 2022 and 2021, totaled approximately \$6,467,371 and \$1,336,070, respectively, which are recorded in general contributions in the accompanying statements of activities. Contributions receivable from board members totaled approximately \$8,162,500 and \$3,754,395 as of June 30, 2022 and 2021, respectively. In addition, the Foundation receives contributions from two entities that have certain common directors. Contributions from these entities totaled approximately \$665,000 and \$620,000 for the years ended June 30, 2022 and 2021, respectively.

Various board members make contributions to Samueli Academy through donations, fundraising events, and volunteer time. General contributions recorded from board members during the years ended June 30, 2022 and 2021, totaled approximately \$154,691 and \$45,107 respectively, which are recorded in general contributions in the accompanying Statement of Activities.

Samueli Academy has a service agreement with the Foundation for administrative and fundraising services. As of June 30, 2022 and 2021, \$867,427 and \$629,164, respectively, was paid under this agreement. Samueli Academy leases its facilities from Orangewood Real Property, LLC. Under the terms of this lease, during the years ended June 30, 2022 and 2021 \$1,170,635 and \$966,550 in rental expenses was incurred, respectively.

Note 19 - Subsequent Events

The Foundation evaluated their June 30, 2022, financial statements for subsequent events through October 27, 2022, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.



Supplementary Information

June 30, 2022

Orangewood Foundation

Orangewood Foundation
 Consolidated Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Passed through California Department of Social Services and the County of Orange Chafee Foster Care Independence Program - Independent Living	93.674	[1]	<u>\$ 807,709</u>
Total U.S. Department of Health and Human Services			<u>807,709</u>
U.S. Department of Justice Passed through California Department of Emergency Services and the County of Orange Crime Victim Assistance Program - Victims of Crime Act (VOCA) Crime Victim Assistance Program - Victims of Crime Act (VOCA) Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575 16.575 16.575	[1] [1] [1]	327,369 370,835 98,927
Total U.S. Department of Justice			<u>797,131</u>
Total Federal Financial Assistance			<u>\$ 1,604,840</u>

[1] Pass-Through Entity Identifying Number not available.

Orangewood Foundation
 Consolidating Statement of Financial Position
 June 30, 2022

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	General William Lyon Workforce Academy LLC	Subtotal	Eliminations	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,146,275	\$ 4,718,877	\$ -	\$ -	\$ -	\$ 5,865,152	\$ -	\$ 5,865,152
Restricted cash	-	-	3,534,810	197,697	123,947	3,856,454	-	3,856,454
Investments	2,578,370	-	-	-	-	2,578,370	-	2,578,370
Current portion of contributions and note receivable, net allowance for doubtful accounts of \$5,100	11,349,305	357,854	-	2,000	320,000	12,029,159	-	12,029,159
Contracts receivable	513,544	1,006,553	-	-	-	1,520,097	-	1,520,097
Prepaid expenses and other assets	262,076	126,704	-	4,192	-	392,972	-	392,972
Total current assets	15,849,570	6,209,988	3,534,810	203,889	443,947	26,242,204	-	26,242,204
Contributions and note receivable, net of current portion	1,165,484	1,445	-	-	-	1,166,929	-	1,166,929
Land, property and equipment, net of accumulated depreciation	5,406,886	1,506,372	62,936,063	72,636	-	69,921,957	-	69,921,957
Investments in Samueli Academy and LLC's	61,321,276	-	-	-	-	61,321,276	(61,321,276)	-
Beneficial interest in perpetual trust	170,099	-	-	-	-	170,099	-	170,099
Restricted investments	9,380,700	99,045	-	-	1,169,252	10,648,997	-	10,648,997
	\$ 93,294,015	\$ 7,816,850	\$ 66,470,873	\$ 276,525	\$ 1,613,199	\$ 169,471,462	\$ (61,321,276)	\$ 108,150,186

See Note to Supplementary Information

Orangewood Foundation
 Consolidating Statement of Financial Position
 June 30, 2022

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	General William Lyon Workforce Academy LLC	Subtotal	Eliminations	Total
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ 1,375,346	\$ 662,318	\$ 97,077	\$ 91,679	\$ 317	\$ 2,226,737	\$ -	\$ 2,226,737
Inter-fund payable (receivable)	(152,489)	309,422	23,717	47,530	(228,180)	-	-	-
Deferred revenue	153,352	970,083	-	2,000	500,000	1,625,435	-	1,625,435
Custodial funds payable	11,450	-	-	-	-	11,450	-	11,450
Obligations under notes payable, current portion	117,827	-	770,305	-	-	888,132	-	888,132
Total current liabilities	1,505,486	1,941,823	891,099	141,209	272,137	4,751,754	-	4,751,754
Long-Term Debt								
Obligations under loans payable, long-term portion	715,234	-	13,804,428	-	-	14,519,662	-	14,519,662
Total liabilities	2,220,720	1,941,823	14,695,527	141,209	272,137	19,271,416	-	19,271,416
Net Assets								
With donor restrictions	9,377,414	-	9,495,444	135,316	1,341,062	20,349,236	-	20,349,236
Without donor restrictions	81,695,881	5,875,027	42,279,902	-	-	129,850,810	(61,321,276)	68,529,534
Total net assets	91,073,295	5,875,027	51,775,346	135,316	1,341,062	150,200,046	(61,321,276)	88,878,770
	<u>\$ 93,294,015</u>	<u>\$ 7,816,850</u>	<u>\$ 66,470,873</u>	<u>\$ 276,525</u>	<u>\$ 1,613,199</u>	<u>\$ 169,471,462</u>	<u>\$ (61,321,276)</u>	<u>\$ 108,150,186</u>

See Note to Supplementary Information

Orangewood Foundation
Consolidating Statement of Activities
Year Ended June 30, 2022

	Orangewood Foundation	Samueli Academy	Orangewood Real Property, LLC	Orangewood Residential, LLC	General William Lyon Workforce Academy, LLC	Subtotal	Eliminations	Total	2021
Revenues									
Contributions	\$ 15,646,609	\$ 713,390	\$ -	\$ 14,060	\$ 592,000	\$ 16,966,059	\$ -	\$ 16,966,059	\$ 7,691,204
Charter School Income	-	8,400,117	-	-	-	8,400,117	-	8,400,117	6,553,536
Federal revenue	1,604,840	1,141,216	-	-	-	2,746,056	-	2,746,056	1,906,096
Other contract revenue	1,060,801	-	-	292,964	-	1,353,765	-	1,353,765	800,758
PPP loan forgiveness revenue	1,152,883	-	-	-	-	1,152,883	-	1,152,883	1,801,316
Other state revenue	-	2,688,512	-	-	-	2,688,512	-	2,688,512	2,032,540
Special events	969,885	258,010	-	-	-	1,227,895	-	1,227,895	1,149,220
Net investment income	(1,297,175)	7,188	12,817	-	(230,747)	(1,507,917)	-	(1,507,917)	1,999,656
Rental income	81,532	-	1,170,633	-	-	1,252,165	(1,170,635)	81,530	92,229
In-kind contributions	411,777	86,819	-	4,763	-	503,359	-	503,359	511,847
Other income	862,580	72,147	-	-	-	934,727	(867,427)	67,300	32,601
Total revenue	20,493,732	13,367,399	1,183,450	311,787	361,253	35,717,621	(2,038,062)	33,679,559	\$ 24,571,003
Expenses									
Program Services									
Health and Wellness	2,422,869	-	-	-	-	2,422,869	-	2,422,869	1,784,774
Housing	1,893,107	-	-	1,333,509	-	3,226,616	-	3,226,616	2,433,710
Life Skills & Employment	1,567,576	-	-	-	236,589	1,804,165	-	1,804,165	1,482,731
Education	1,160,745	11,339,959	2,968,163	-	-	15,468,867	(1,371,498)	14,097,369	11,977,327
Total program services	7,044,297	11,339,959	2,968,163	1,333,509	236,589	22,922,517	(1,371,498)	21,551,019	17,678,542
Supporting Services									
Management and General	2,517,812	722,969	11,185	8,143	-	3,260,109	(628,489)	2,631,620	2,283,347
Fundraising	990,829	248,947	-	-	-	1,239,776	(38,075)	1,201,701	861,908
Total supporting services	3,508,641	971,916	11,185	8,143	-	4,499,885	(666,564)	3,833,321	3,145,255
Total expenses	10,552,938	12,311,875	2,979,348	1,341,652	236,589	27,422,402	(2,038,062)	25,384,340	20,823,797
Change in net assets	9,940,794	1,055,524	(1,795,898)	(1,029,865)	124,664	8,295,219	-	8,295,219	3,747,206
Net assets, beginning of year	81,123,312	4,819,503	49,627,172	228,982	1,199,800	136,998,769	(56,415,218)	80,583,551	76,836,345
Contributed capital	9,189	-	3,944,072	936,199	16,598	4,906,058	(4,906,058)	-	-
Net assets, end of year	\$ 91,073,295	\$ 5,875,027	\$ 51,775,346	\$ 135,316	\$ 1,341,062	\$ 150,200,046	\$ (61,321,276)	\$ 88,878,770	\$ 80,583,551

See Note to Supplementary Information

Note 1 - Purpose of Supplementary Schedules

Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Samueli Academy

Orangewood Foundation's consolidated financial statements include the operations of the Samueli Academy, a controlled entity, which expended \$1,146,216 in federal awards which is not included in the Foundation's consolidated schedule of expenditures of federal awards for the year ended June 30, 2022. Our compliance audit did not include the operations of the Samueli Academy, because those operations are included in the Samueli Academy's separately issued financial statements and schedule of expenditures of federal awards.

Indirect Cost Rate

The Foundation has not elected to use the ten percent de minimus cost rate.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The consolidating statement of financial position and consolidating statement of activities report the activities of the Foundation and related entities and are presented on the accrual basis of accounting. Eliminating entries in the consolidating statement of financial position and consolidating statement of activities are for activities between the Foundation and related entities.



Independent Auditor's Reports

June 30, 2022

Orangewood Foundation



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Orangewood Foundation
Santa Ana, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Orangewood Foundation (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected by a single stroke, and "LLP" written in a smaller, separate group of letters.

Rancho Cucamonga, California

October 27, 2022



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Orangewood Foundation
Santa Ana, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Orangewood Foundation's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2022. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

Orangewood Foundation's consolidated financial statements include the operations of the Samueli Academy, a controlled entity, which expended \$1,146,216 in federal awards which is not included in the Foundation's consolidated schedule of expenditures of federal awards for the year ended June 30, 2022. Our compliance audit, described in the "Opinion on the Major Federal Program" does not include the operations of the Samueli Academy's because Samueli Academy has separately issued financial statements and schedule of expenditures of federal awards.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected at the top, and "LLP" at the bottom right.

Rancho Cucamonga, California

October 27, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Orangewood Foundation

Orangewood Foundation
Summary of Auditor's Results
Year Ended June 30, 2022

CONSOLIDATED FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to consolidated financial statements noted?	No

FEDERAL AWARDS

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/Federal CFDA Number
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Orangewood Foundation
Financial Statement Findings
Year Ended June 30, 2022

None reported.

Orangewood Foundation
Federal Awards Findings and Questioned Costs
Year Ended June 30, 2022

None reported.

Orangewood Foundation
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.