



**CONSOLIDATED
AUDIT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2023**

A NONPROFIT PUBLIC BENEFIT CORPORATION

CONSOLIDATED WITH

Orangewood Real Property LLC
Orangewood Residential LLC
General William Lyon Workforce Academy LLC
Samueli Academy

**ORANGEWOOD FOUNDATION
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JUNE 30, 2023**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Orangewood Foundation
Santa Ana, California

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Orangewood Foundation which comprise the statement of financial position as of June 30, 2023, and the related 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orangewood Foundation as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Orangewood Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Orangewood Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Orangewood 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orangewood 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 supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

The consolidated financial statements of Orangewood Foundation for the 2021-22 fiscal year were audited by other auditors whose report, dated October 27, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it was been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023, on our consideration of Orangewood 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 Orangewood 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 Orangewood Foundation's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
September 30, 2023

ORANGEWOOD FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,700,715	\$ 5,865,151
Restricted cash	3,645,535	3,856,455
Investments	3,869,252	2,578,370
Contributions receivable, net	5,798,257	12,029,159
Other receivables	1,347,828	1,520,097
Prepaid expenses	561,445	392,972
Total current assets	<u>23,923,032</u>	<u>26,242,204</u>
Noncurrent assets		
Restricted investments	16,265,971	10,648,997
Contributions receivable, net, less current portion	684,996	1,166,929
Investments in LLCs	784,000	-
Beneficial interest in perpetual trust	177,045	170,099
Property and equipment, net	67,372,016	69,921,957
Total noncurrent assets	<u>85,284,028</u>	<u>81,907,982</u>
Total Assets	<u>\$ 109,207,060</u>	<u>\$ 108,150,186</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,590,565	\$ 2,226,737
Deferred revenue	2,957,601	1,625,435
Custodial funds payable	8,800	11,450
Notes payable, current portion	982,128	888,132
Total current liabilities	<u>6,539,094</u>	<u>4,751,754</u>
Noncurrent liabilities		
Notes payable, less current portion	11,760,763	14,519,662
Total liabilities	<u>18,299,857</u>	<u>19,271,416</u>
NET ASSETS		
Without donor restrictions	66,299,549	68,529,534
With donor restrictions	24,607,654	20,349,236
Total net assets	<u>90,907,203</u>	<u>88,878,770</u>
Total Liabilities and Net Assets	<u>\$ 109,207,060</u>	<u>\$ 108,150,186</u>

The notes to consolidated financial statements are an integral part of this statement.

ORANGEWOOD FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Contributions	\$ 3,427,187	\$ 3,583,374	\$ 7,010,561	\$ 16,966,059
Charter school income	9,966,010	-	9,966,010	8,400,117
Federal revenues	4,563,851	-	4,563,851	3,898,939
Other contract revenue	1,636,516	-	1,636,516	1,353,765
Other state revenues	2,854,698	-	2,854,698	2,688,512
Special events, net of direct expenses	1,550,060	277,802	1,827,862	1,227,895
Investment income, net	451,473	1,148,761	1,600,234	(1,507,917)
Rental income	100,147	-	100,147	81,530
In-kind contributions	811,507	-	811,507	503,359
Other income	136,781	-	136,781	67,300
Subtotal	25,498,230	5,009,937	30,508,167	33,679,559
Donor restrictions satisfied	751,519	(751,519)	-	-
Total Support and Revenues	26,249,749	4,258,418	30,508,167	33,679,559
EXPENSES				
Program services	23,982,011	-	23,982,011	21,551,019
Management and general	3,235,447	-	3,235,447	2,631,620
Fundraising	1,262,276	-	1,262,276	1,201,701
Total Expenses	28,479,734	-	28,479,734	25,384,340
CHANGE IN NET ASSETS	(2,229,985)	4,258,418	2,028,433	8,295,219
Net Assets - Beginning	68,529,534	20,349,236	88,878,770	80,583,551
Net Assets - Ending	\$ 66,299,549	\$ 24,607,654	\$ 90,907,203	\$ 88,878,770

The notes to consolidated financial statements are an integral part of this statement.

ORANGEWOOD FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

EXPENSES	2023					2022			
	Program Services					Management and General	Fundraising	Total Expenses	Total Expenses
	Health and Wellness	Housing	Life Skills and Employment	Education	Total				
Salaries and benefits	\$ 1,487,646	\$ 2,397,069	\$ 1,356,968	\$ 8,045,774	\$ 13,287,457	\$ 2,348,694	\$ 1,056,652	\$ 16,692,803	\$ 14,912,527
Charter school operating costs	-	-	-	1,244,292	1,244,292	-	-	1,244,292	905,419
Donated goods and services	614,338	136,028	-	61,141	811,507	-	-	811,507	503,359
Transitional housing costs	68,048	684,311	-	-	752,359	-	-	752,359	801,235
Youth connected program	8,889	140,805	-	-	149,694	-	-	149,694	-
ILP program and resource center	28,078	-	78,835	-	106,913	-	-	106,913	479,684
Scholarships	-	-	-	979,550	979,550	-	-	979,550	770,086
Consulting services	336,921	33,490	-	141,255	511,666	237,294	72,791	821,751	922,579
Accounting and audit fees	-	-	-	-	-	93,900	-	93,900	47,045
Marketing and public relations	13,707	126,615	540	7,545	148,407	112,490	4,717	265,614	228,974
Office expenses	6,452	9,795	7,520	120,600	144,367	132,239	36,072	312,678	194,961
Telephone	9,494	10,837	20,443	36,628	77,402	11,965	5,388	94,755	75,893
Office equipment lease	3,595	1,258	-	28,357	33,210	12,501	-	45,711	65,519
Technology	34,788	12,062	127,088	299,853	473,791	54,861	20,943	549,595	600,030
Facilities	15,647	138,984	155,273	834,298	1,144,202	47,648	20,795	1,212,645	689,652
Property taxes	-	2,951	15,328	48,838	67,117	6,246	-	73,363	48,707
Travel and mileage	20,515	23,663	24,295	136,877	205,350	1,304	1,095	207,749	169,269
Conferences and training	15,559	10,507	1,800	67,679	95,545	16,360	3,973	115,878	100,752
Interest expense	-	-	18,917	461,000	479,917	6,873	3,124	489,914	651,064
Depreciation and amortization	-	83,300	211,172	2,579,414	2,873,886	76,726	34,876	2,985,488	2,706,290
Insurance	21,703	32,964	14,031	185,066	253,764	11,281	-	265,045	222,464
Other direct program costs	61,482	-	58,753	-	120,235	-	-	120,235	189,989
Other operating expenses	310	8,024	2,141	10,905	21,380	65,065	1,850	88,295	98,842
Total Expenses - 2023	\$ 2,747,172	\$ 3,852,663	\$ 2,093,104	\$ 15,289,072	\$ 23,982,011	\$ 3,235,447	\$ 1,262,276	\$ 28,479,734	
Total Expenses - 2022	\$ 2,422,869	\$ 3,226,618	\$ 1,804,165	\$ 14,097,367	\$ 21,551,019	\$ 2,631,620	\$ 1,201,701		\$ 25,384,340

The notes to consolidated financial statements are an integral part of this statement.

ORANGEWOOD FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,028,433	\$ 8,295,219
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Noncash items		
Depreciation and amortization expense	2,985,488	2,706,290
Bad debt expense	-	3,532
Forgiveness of Paycheck Protection Program (PPP) loan	-	(1,152,883)
Change in discount on contributions receivable	(11,901)	(324,201)
Loss on disposal of property and equipment	-	19,851
Unrealized (gain)/loss on investments	(1,093,547)	2,001,392
(Increase) decrease in operating assets		
Contributions receivable	6,724,736	(5,171,867)
Other receivables	172,269	2,268,716
Prepaid expenses	(168,473)	328,883
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	363,828	218,710
Deferred revenue	1,332,166	835,694
Custodial funds payable	(2,650)	5,050
Net cash provided by (used in) operating activities	<u>12,330,349</u>	<u>10,034,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,465,304)	(4,666,968)
Proceeds from sale of investments	5,644,049	806,776
Purchase of investments in LLC	(784,000)	-
Purchase of property and equipment	(435,547)	(8,233,454)
Net cash provided by (used in) investing activities	<u>(7,040,802)</u>	<u>(12,093,646)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(2,664,903)	(4,651,674)
Net cash provided by (used in) financing activities	<u>(2,664,903)</u>	<u>(4,651,674)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	2,624,644	(6,710,934)
Cash and Cash Equivalents and Restricted Cash - Beginning	<u>9,721,606</u>	<u>16,432,540</u>
Cash and Cash Equivalents and Restricted Cash - Ending	<u>\$ 12,346,250</u>	<u>\$ 9,721,606</u>
Cash and cash equivalents	\$ 8,700,715	\$ 5,865,151
Restricted cash	3,645,535	3,856,455
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 12,346,250</u>	<u>\$ 9,721,606</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 498,591</u>	<u>\$ 651,064</u>

The notes to consolidated financial statements are an integral part of this statement.

**ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – PRINCIPAL ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 and Wellness* – On a daily basis, Foundation 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 and 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 (collectively the “LLCs”).

In late 2011, Orangewood Foundation 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.

B. Program Services

The following are descriptions of the programs that the Foundation offers:

Health and Wellness

Orangewood Resource Center – The Orangewood Resource Center (ORC) is available to assist youth ages 18-24 with services needed to become independent. Our goal is to provide you with individualized guidance and assistance to help you live independently. The ORC is your one-stop for information on other Orangewood services and referrals to other organizations that can help you.

Project CHOICE – Project CHOICE is a drop-in center for youth ages 11-21 who are in or at risk of human or sex trafficking. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Program Services (continued)

Housing

Rising Tide Communities – Our two Rising Tide apartments, at Flanders Pointe and Orange Tree apartment complexes, provide affordable and supportive transitional housing for young adults single or with children ages 18-25. Our goal is to help youth learn and experience the skills that are necessary to live independently.

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 and who identify as female or nonbinary. 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 ages 18-21 and their child under 5. 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 ages 18-24 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.

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 and 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 Foundation.

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 apprenticeship 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.

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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Program Services (continued)

Education

Orangewood Grants – Dependent Grants are available by application to offer financial assistance for qualifying educational expenses and extracurricular activities to Orange County youth currently in foster care up to age 18. Independent Grants are available to youth over age 18 who are currently or previously in foster care to help cover basic needs, work items, or driver’s education.

Orangewood Scholarships – Undergraduate scholarships offers financial assistance and staff support to help youth accomplish their educational goals in community college, 4-year university, or trade school. Expenses help cover tuition, course materials, emergency expenses, and basic needs to contribute to the total costs of attendance.

Advanced Studies – Advanced Studies scholarships are for youth who want to pursue an advanced degree (Masters, Doctorate, or specialized training). Scholars are connected with the current cohort of scholarship recipients and Orangewood staff for support throughout the year with quarterly check ins. Scholars can seek resource support, mentorship and networking connections amongst alumni and donors.

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, home of the Firewolves, opened in 2013 under the leadership of Orangewood Foundation. The school was created after the Orangewood Board of Directors witnessed the low high school graduation rates among Orange County’s historically underserved and under-resourced youth, especially youth in foster care. Nationally, only 54% of foster youth graduate from high school, but 100% of Samueli Academy students graduated last year. Samueli Academy serves students in grades 7-12 through an intentional curriculum and accompanying wrap-around support services, which include: (1) a STEAM-focused curriculum rich in Science, Technology, Engineering, Art/Design, and Mathematics; (2) a Work Based Learning Program for career success with access to internships and professional mentors; (3) a vibrant Project Based Learning model to engage students in learning across classrooms and subjects; (4) an array of academic and social-emotional wraparound student support services, including college preparation, work readiness, and scholarship support; and (5) future on-campus, family-style residential housing program for up to 48 foster youth students of the school.

The mission of Samueli Academy is to ignite the passion within all students to reach their greatest potential through a nurturing and innovative learning environment. The school boasts a 98% graduation rate, and 100% among students in foster care. Samueli Academy is ranked in the top 5% of high schools in the U.S.

C. Principles of Consolidation

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

D. 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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Comparative Financial Statements

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 United 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, 2022.

F. 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 those 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.

G. 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.

H. Restricted Cash

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

I. 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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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 \$5,100 is necessary as of June 30, 2023 and 2022, respectively.

L. 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.

M. Intra-Entity Transactions

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

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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 students' average daily attendance (ADA) in its public charter 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 deferred revenue 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.

O. 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.

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

P. 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 presents 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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Income Taxes

Orangewood 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.

R. 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.

S. 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.

T. Change in Accounting Principle – ASC 842 Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Foundation has determined the impact and noted no significant change to the consolidated financial statements as a result of this accounting principle.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – SAMUELI ACADEMY

As described in Note 1A, 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. 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. In February 2022, the Foundation 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 OF FINANCIAL ASSETS

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, compromise the following:

Financial Assets	
Cash and cash equivalents	\$ 8,700,715
Short-term investments	3,869,252
Unrestricted receivables, current portion	1,347,828
Prepaid expenses	<u>561,445</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 14,479,240</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

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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

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, 2023:

	Fair Value Classification			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 10,495,439	\$ -	\$ -	\$ 10,495,439
Equity securities	9,405,592	-	-	9,405,592
Short-term investments	135,147	-	-	135,147
Beneficial interest in perpetual trust	-	-	177,045	177,045
Solar power purchase agreement	-	784,000	-	784,000
Asset backed securities	99,045	-	-	99,045
Total Investments	\$ 20,135,223	\$ 784,000	\$ 177,045	\$ 21,096,268

The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023 or 2022. Additionally, there were no changes in how assets existing at June 30, 2022 were classified in the fair value hierarchy as of June 30, 2023.

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 fair value at the date of donation.

Investments are recorded as follows in the consolidated statements of financial position at June 30, 2023 and 2022:

	2023	2022
Restricted investments		
Orangewood Foundation	\$ 7,670,538	\$ 3,479,466
Samueli Academy	6,610,560	6,000,279
Gen. W. Lyon Workforce Academy LLC	1,984,873	1,169,252
Beneficial interest in perpetual trust	177,045	170,099
Total restricted investments	16,443,016	10,819,096
Investment in LLC	784,000	-
Other unrestricted investments	3,869,252	2,578,370
Total Investments	\$ 21,096,268	\$ 13,397,466

Net investment income for the year ended June 30, 2023, consisted of the following:

	Endowments	Other	Total
Interest and dividends	\$ 372,445	\$ 238,370	\$ 610,815
Net gain/(loss)	930,159	163,388	1,093,547
Investment fees	(85,992)	(18,136)	(104,128)
Net Investment Income	\$ 1,216,612	\$ 383,622	\$ 1,600,234

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 5 – INVESTMENTS (continued)

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

The noncurrent 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, 2023, the discount rate in effect was 6.69%. Future expected contributions receivable are as follows:

<u>Fiscal Year Ending June 30,</u>	
2024	\$ 5,803,357
2025	560,200
2026	135,400
2027	20,000
Subtotal	<u>6,518,957</u>
Less allowance for doubtful accounts	(5,100)
Less discount	<u>(30,604)</u>
Total Contributions Receivable	<u>\$ 6,483,253</u>

NOTE 7 – OTHER RECEIVABLES

Other receivables at June 30, 2023 and 2022, consisted primarily of governmental grants, entitlements and other local sources. All receivables are considered collectible in full.

	<u>2023</u>	<u>2022</u>
Orangewood Foundation		
Governmental receivables	\$ 550,210	\$ 413,276
Contract receivables	8,845	100,268
Samueli Academy		
Governmental receivables	788,773	1,006,553
Total Other Receivables	<u>\$ 1,347,828</u>	<u>\$ 1,520,097</u>

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – PROPERTY AND EQUIPMENT

A summary of activity related to property and equipment during the year ended June 30, 2023 consisted of the following:

	July 1, 2022	Additions	Disposals	June 30, 2023
Property and equipment				
Land	\$ 10,273,312	\$ -	\$ -	\$ 10,273,312
Buildings	64,122,327	117,276	-	64,239,603
Building improvements	2,679,810	130,534	-	2,810,344
Furniture, fixtures, and equipment	4,025,972	187,737	335,175	3,878,534
Vehicles	130,538	-	-	130,538
Total property and equipment	81,231,959	435,547	335,175	81,332,331
Less accumulated depreciation	(11,310,002)	(2,985,488)	(335,175)	(13,960,315)
Property and Equipment, net	\$ 69,921,957	\$ (2,549,941)	\$ -	\$ 67,372,016

Depreciation expense for the year ended June 30, 2023 was \$2,985,488.

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, 2023 are as follows:

	With Donor Restrictions
Beneficial interest in perpetual trust	
Endowments	
Initial contribution	\$ 38,000
Foundation match	45,000
Contribution - Dorothy M. Booth Charitable Trust	7,500
Total endowments	90,500
Unappropriated earnings on endowment investments	
Cumulative gain on investments	197,952
Cumulative distributions	(111,407)
Total unappropriated earnings on endowments	86,545
Total Beneficial Interest in Perpetual Trust	\$ 177,045

NOTE 10 – CUSTODIAL FUNDS PAYABLE

The Foundation holds deposits for youth apartments rented by Orangewood Foundation for the youth. At June 30, 2023 and 2022, the custodial funds payable balance relating to these pass-through transactions was \$8,800 and \$11,450, respectively.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – NOTES PAYABLE

A summary of activity related to notes payable during the year ended June 30, 2023 consisted of the following:

	July 1, 2022	Draws	Payments	June 30, 2023	One Year
Construction note payable	\$ 10,564,609	\$ -	\$ 398,532	\$ 10,166,077	\$ 417,234
Construction note payable (Series A)	4,010,124	-	2,148,376	1,861,748	447,256
Mortgage payable	825,371	-	111,622	713,749	116,283
Vehicle loan	7,690	-	6,373	1,317	1,355
Total Notes Payable	\$ 15,407,794	\$ -	\$ 2,664,903	\$ 12,742,891	\$ 982,128

Notes payable consisted of the following at June 30, 2023 and 2022:

Construction note payable

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.

	2023	2022
	<u>\$10,166,077</u>	<u>\$10,564,609</u>

Construction note payable (Series A)

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.

	<u>1,861,748</u>	<u>4,010,124</u>
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Mortgage payable

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.

	<u>713,749</u>	<u>825,371</u>
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Vehicle loan

Term note payable to bank, secured by vehicle lien on 2018 Toyota Sienna. 60 monthly payments of \$508.40 at 5.85 percent interest.

	<u>1,317</u>	<u>7,690</u>
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Total Notes Payable	<u>\$12,742,891</u>	<u>\$15,407,794</u>
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ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – NOTES PAYABLE (continued)

Future minimum annual payments of principal and interest on the notes payable at June 30, 2023 are as follows:

<u>Fiscal Year Ending June 30,</u>	Principal	Interest	Total
2024	\$ 982,128	\$ 426,066	\$ 1,408,194
2025	1,016,634	390,190	1,406,824
2026	1,053,810	353,014	1,406,824
2027	9,469,041	45,595	9,514,636
2028	135,070	6,002	141,072
Thereafter	86,208	1,191	87,399
Total	\$ 12,742,891	\$ 1,222,058	\$ 13,964,949

NOTE 12 – NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Net investment in property and equipment	\$ 54,629,125	\$ 54,514,163
Undesignated	11,670,424	14,015,371
Total net assets without donor restrictions	<u>\$ 66,299,549</u>	<u>\$ 68,529,534</u>
Net assets with donor restrictions		
Subject to expenditure for specific purpose		
Cash and receivables pledged against		
Samueli Academy		
Phase 2 campus debt	\$ 2,313,380	\$ 1,949,549
Phase 3 campus expansion and debt	5,364,219	5,911,456
Phase 4 campus expansion	-	1,634,439
Gen. W. Lyon Workforce Academy	2,312,686	1,341,062
Youth connected program	435,316	135,315
Orangewood Foundation scholarships	1,803,248	1,541,722
Orangewood Foundation operations	3,856,863	-
Samueli Academy scholarships and operations	1,513,815	1,401,234
Subtotal	<u>17,599,527</u>	<u>13,914,777</u>
Perpetual in nature subject to the Organization's		
endowment spending policy and appropriation		
Orangewood Foundation scholarships	2,010,427	1,934,459
Samueli Academy scholarships and operations	4,997,700	4,500,000
Subtotal	<u>7,008,127</u>	<u>6,434,459</u>
Total net assets with donor restrictions	<u>\$ 24,607,654</u>	<u>\$ 20,349,236</u>
Total Net Assets	<u>\$ 90,907,203</u>	<u>\$ 88,878,770</u>

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 13 – ENDOWMENTS

The Foundation’s endowments have both donor restricted funds and unrestricted funds. The donor restricted funds includes the Orangewood Scholarships Endowment, Orangewood Operations Endowment, Samueli Academy Scholarships Endowment, Samueli Academy Operations 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 year ended June 30, 2023:

	<u>With Donor Restrictions</u>
Endowment net assets - beginning balance	\$ 10,819,096
Net contributions	5,850,339
Net investment earnings, gains, and losses	1,216,612
Scholarship transfer to endowment from unrestricted	122,900
Appropriation of endowment for	
Scholarships	(315,931)
Orangewood Residential operations	(750,000)
Orangewood operations	(500,000)
Endowment net assets - ending balance	<u>\$ 16,443,016</u>

Investment and Spending Policies

The Foundation’s investment and spending policies are set by the Foundation’s Investment Committee, which seeks 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 transfers to fund operations based upon the donor intent of the endowment. Some endowment funds have a corpus and others can be spent down to no balance. The investment committee reviews each of these funds and approves the transfer based upon the donor instructions. For those funds that have a corpus balance, only one Orangewood scholarship fund had a negative corpus of (\$1,226) as of June 30, 2023 and therefore no transfer was made from this fund. The remaining funds had no deficiencies as of June 30, 2023.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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, 2023 and 2022 are as follows:

	2023	2022
Gross receipts	\$ 2,896,076	\$ 2,176,905
Cost of direct expenses	(1,068,214)	(949,010)
Special Events, net of direct expenses	\$ 1,827,862	\$ 1,227,895

NOTE 15 – IN-KIND CONTRIBUTIONS

Contributed nonfinancial assets recognized within the statement of activities included for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Clothing, hygiene and household	\$ 672,565	\$ 349,540
COVID supplies	12,836	6,000
School supplies	59,207	86,819
Food	66,899	24,500
Computer equipment	-	36,500
Total In-Kind Contributions	\$ 811,507	\$ 503,359

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

Clothing, hygiene, and household and school 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 supplies – the contributed COVID supplies included mask and tests used for assisting youth with free COVID testing. 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, 2023 and 2022 were unrestricted.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 16 – EMPLOYEE RETIREMENT PLANS

403(b) and 457(b) Tax Deferred Plans

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 2023 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, 2023 and 2022, were \$137,304 and \$111,561, respectively. The 403(b) Plan is subject to an annual calendar year audit. The most recent 403(b) audit report for 2022 is available upon request.

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 \$30,000 and \$25,000 discretionary contribution for the year ended June 30, 2023 and 2022, respectively.

California State Teachers' Retirement System (CalSTRS)

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 operated by Samueli Academy chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. Samueli Academy has no plans to withdraw from this multi-employer plan.

The details of the CalSTRS plan are as follows:

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.

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, 2022, 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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 16 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits Provided (continued)

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 non-employer 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, 2023, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	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	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

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, 2023 are presented above and the Samueli Academy’s total contributions were \$800,737. Samueli Academy’s total contributions for the year ended June 30, 2022 were \$680,718.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Academy. These payments consist of State General Fund contributions to CalSTRS in the amount of \$392,694 (9.8% of certificated 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.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Pending or Threatened Litigation

The Foundation is subject to certain outside claims and litigation arising in the ordinary course of business. The Foundation's management and its legal counsel assess such contingency liabilities, and such assessment inherently involves an exercise of judgement. In assessing loss contingencies related to legal proceedings that are pending against the Foundation or unasserted claims that may result in such proceedings, the Foundation's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Foundation's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability together with an estimate of the range of possible loss if determinable and material would be disclosed. The Foundation has not accrued for any contingencies as of June 30, 2023.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

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 a 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.

Governmental Funds

Orangewood 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.

Employee Retention Credit

Management has deemed that the Foundation is eligible for the Employee Retention Credit (ERC) under the CARES Act. The ERC is a refundable tax credit for certain employment taxes for eligible employers meeting certain criteria. The credit is claimed either by filing the original or adjusted employee tax return(s) with the Internal Revenue Service. The ERC is a government grant accounted for as a conditional contribution under FASB revenue recognition standards. The Foundation has recorded a total of \$1,752,950 as federal revenue and \$47,603 in interest income during the year ended June 30, 2023. There is no accounts receivable balance held as of June 30, 2023 related to ERC funds.

ORANGWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 17 – COMMITMENTS AND CONTINGENCIES (continued)

Affordable Housing Program Grant

In an effort to provide transitional housing for foster youth, the Organization has constructed a facility on the Samueli Academy campus dba the Youth Connected Program. The facility is able to house up to 48 foster youth that are part of the Youth Connected Program and are also students at Samueli Academy. The construction of this facility was completed in 2021 at a total cost of \$3,570,336. Of this amount, \$900,000 was financed through a subsidy as part of an Affordable Housing Program (AHP) Grant through the Federal Home Loan Bank and their member bank Farmers & Merchants Bank. At the end of 15 years of using the facility for affordable housing for 48 foster youth at 80% occupancy, the full amount of the \$900,000 subsidy would be forgiven (June 30, 2037). In September 2022, Orangewood was notified that we were in non-compliance with the subsidy agreement due to having less than 80% occupancy in the facility. The Federal Home Loan Bank agreed that due to the uniqueness of the program that is dependent on having foster youth, the team would monitor the ongoing progress of adding more occupants. No firm date has been given to achieve compliance, however, if Orangewood is unable to meet the 80% occupancy goal (38 youth), the Federal Home Loan Bank could require the \$900,000 subsidy or a portion thereof to be returned.

Charter School Authorization

Samueli Academy is approved to operate as a public charter school through authorization by the Orange County Department of Education (OCDE). As such, the charter school is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met. Samueli Academy is required to make payments to the authorizing agency for oversight. Total fees for oversight amounted to \$106,310 for the fiscal year ended June 30, 2023.

NOTE 18 – RELATED PARTY TRANSACTIONS

Board Member Contributions

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, 2023 and 2022, totaled approximately \$5,890,803 and \$6,467,371, respectively, which are recorded in general contributions in the accompanying statements of activities. Contributions receivable from board members totaled approximately \$3,354,600 and \$8,162,500 as of June 30, 2023 and 2022, respectively. Of this 2023 balance, \$2,900,000 was paid in August 2023. In addition, the Foundation receives contributions from two entities that have certain common directors. Contributions from these entities totaled approximately \$789,140 and \$665,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, totaled approximately \$150,356 and \$154,691 respectively, which are recorded in general contributions in the accompanying statements of activities.

Samueli Academy PPA, LLC

On November 15, 2022, Samueli Academy entered into an agreement with the Robert Istwan Trust to create the Samueli Academy PPA, LLC. Robert Istwan is the owner of Motive Energy and a board member of Orangewood Foundation, Samueli Academy's sole voting member. Samueli Academy has a 1% voting interest in Samueli Academy PPA, LLC and the Robert Istwan Trust has a 99% voting interest. Samueli Academy has invested \$784,000 in Samueli Academy PPA, LLC and the Robert Istwan Trust is contributing \$876,000 as outlined in the Operating Agreement for the purchase of a solar system. In addition, the Operating agreement notes that the Robert Istwan Trust will receive any federal tax credits available through the purchase of the solar system and Samueli Academy will receive the power generated through the system at a reduced price as outlined in the Power Purchase Agreement. Lastly, the system will revert to the ownership of Samueli Academy for \$1 after a term of 6 years once operational.

ORANGEWOOD FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 18 – RELATED PARTY TRANSACTIONS (continued)

Samueli Academy PPA, LLC (continued)

On November 16, 2022, Samueli Academy PPA, LLC entered into a purchase agreement with Motive Energy Storage Systems for the purchase of a solar system to be installed on the Samueli Academy campus for a total cost of \$1,660,000. The system has a guarantee to generate at least 5,113,081 kWh over a 6 year period. On November 15, 2022, Samueli Academy entered into a Power Purchase Agreement with Samueli Academy PPA, LLC for the power generated through the solar system. The term of the agreement is for 6 years and the rate is \$.01/kWh produced, payable monthly.

Samueli Academy

Samueli Academy has a service agreement with Orangewood Foundation for administrative and fundraising services. As of June 30, 2023 and 2022, \$979,726 and \$867,427, 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, 2023 and 2022 \$1,448,208 and \$1,170,635 in rental expenses was incurred, respectively.

NOTE 19 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for the period from June 30, 2023 through September 30, 2023, the date the consolidated financial statements were available to be issued.

In August 2023, Orangewood Foundation received a \$2,850,000 payment on an outstanding capital campaign pledge. With this payment and existing capital campaign cash on hand, Orangewood Foundation paid off the construction note payable (Series A) (see Note 11) of \$1,861,748 bringing the balance to \$0. In addition, a \$3,250,000 principal payment was made on the construction note payable (see Note 11) bringing the balance from \$10,166,077 to \$6,814,991 as of September 30, 2023.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**ORANGEWOOD FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures		
			Orangewood Foundation	Samueli Academy	Consolidated Total
U. S. DEPARTMENT OF EDUCATION:					
<i>Passed through California Department of Education:</i>					
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ -	\$ 166,257	\$ 166,257
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	-	23,988	23,988
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	-	11,958	11,958
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:					
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	-	142,041	142,041
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	-	112,898	112,898
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	-	46,696	46,696
Subtotal Education Stabilization Fund Discretionary Grants			-	301,635	301,635
<i>Passed through El Dorado Charter SELPA:</i>					
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	-	118,326	118,326
Total U. S. Department of Education			-	622,164	622,164
U. S. DEPARTMENT OF AGRICULTURE:					
<i>Passed through California Department of Education:</i>					
Child Nutrition Cluster					
School Breakfast Program - Needy	10.553	13526	-	71,936	71,936
National School Lunch Program	10.555	13391	-	183,860	183,860
Supply Chain Assistance (SCA) Funds	10.555	15655	-	23,705	23,705
Subtotal Child Nutrition Cluster			-	279,501	279,501
Total U. S. Department of Agriculture			-	279,501	279,501
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
<i>Passed through California Department of Emergency Services and the County of Orange:</i>					
Chafee Foster Care Independence Program - Independent Living Program (ILP)	93.674	*	947,383	-	947,383
Total U. S. Department of Health & Human Services			947,383	-	947,383
U. S. DEPARTMENT OF THE JUSTICE:					
<i>Passed through California Department of Emergency Services and the County of Orange:</i>					
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575	*	389,210	-	389,210
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575	*	332,395	-	332,395
Crime Victim Assistance Program - Victims of Crime Act (VOCA)	16.575	*	240,973	-	240,973
Total U. S. Department of the Justice			962,578	-	962,578
Total Federal Expenditures			\$ 1,909,961	\$ 901,665	\$ 2,811,626

* - Pass-Through Entity Identifying Number not available or not applicable

ORANGEWOOD FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2023

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orangewood Foundation and is presented on the accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Orangewood Foundation has not elected to use the 10 percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the statements of activities and the related expenditures reported on the schedule of expenditures of federal awards. The reconciling amounts represent federal funds that are either not subject to a Federal Single Audit or federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2023.

	AL Number	Orangewood Foundation	Orangewood Residential LLC	Samueli Academy	Consolidated Total
Total Federal Revenues reported in the Statement of Activities		\$ 3,196,439	\$ 72,488	\$ 1,294,924	\$ 4,563,851
IRS: Employee Retention Credit Program	None	(1,286,478)	(72,488)	(393,984)	(1,752,950)
SPED: IDEA Mental Health ADA Allocation	84.027A	-	-	725	725
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 1,909,961	\$ -	\$ 901,665	\$ 2,811,626

ORANGEWOOD FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	Orangewood Foundation								
	Orangewood Foundation	Orangewood Real Property LLC	Orangewood Residential LLC	General William Lyon Workforce Academy LLC	Eliminations	Combined Total	Samueli Academy	Eliminations	Consolidated Total
ASSETS									
Current assets									
Cash and cash equivalents	\$ 1,870,270	\$ -	\$ -	\$ -	\$ -	\$ 1,870,270	\$ 6,830,445	\$ -	\$ 8,700,715
Restricted cash	-	3,217,238	237,956	190,341	-	3,645,535	-	-	3,645,535
Investments	3,869,252	-	-	-	-	3,869,252	-	-	3,869,252
Contributions receivable, net	4,404,148	-	4,450	454,500	-	4,863,098	935,159	-	5,798,257
Intercompany receivables	231,936	-	80,865	-	(107,093)	205,708	-	(205,708)	-
Other receivables	482,626	-	76,429	-	-	559,055	788,773	-	1,347,828
Prepaid expenses	156,544	70,858	5,881	-	-	233,283	328,162	-	561,445
Total current assets	11,014,776	3,288,096	405,581	644,841	(107,093)	15,246,201	8,882,539	(205,708)	23,923,032
Noncurrent assets									
Restricted investments	14,182,053	-	-	1,984,873	-	16,166,926	99,045	-	16,265,971
Contributions receivable, net, less current portion	656,302	-	-	-	-	656,302	28,694	-	684,996
Investments in LLCs	63,312,497	-	-	-	(63,312,497)	-	784,000	-	784,000
Beneficial interest in perpetual trust	177,045	-	-	-	-	177,045	-	-	177,045
Right-of-use asset	-	-	-	-	-	-	8,922,017	(8,922,017)	-
Property and equipment, net	5,141,755	60,749,040	121,700	-	-	66,012,495	1,359,521	-	67,372,016
Total noncurrent assets	83,469,652	60,749,040	121,700	1,984,873	(63,312,497)	83,012,768	11,193,277	(8,922,017)	85,284,028
Total Assets	\$ 94,484,428	\$ 64,037,136	\$ 527,281	\$ 2,629,714	\$ (63,419,590)	\$ 98,258,969	\$ 20,075,816	\$ (9,127,725)	\$ 109,207,060
LIABILITIES									
Current liabilities									
Accounts payable and accrued expenses	\$ 1,750,476	\$ -	\$ 89,965	\$ 2,310	\$ -	\$ 1,842,751	\$ 747,814	\$ -	\$ 2,590,565
Deferred revenue	180,205	-	2,000	250,000	-	432,205	2,525,396	-	2,957,601
Intercompany payables	-	42,375	-	64,718	(107,093)	-	205,708	(205,708)	-
Custodial funds payable	8,800	-	-	-	-	8,800	-	-	8,800
Notes payable, current portion	117,638	864,490	-	-	-	982,128	-	-	982,128
Operating lease liability, current portion	-	-	-	-	-	-	919,538	(919,538)	-
Total current liabilities	2,057,119	906,865	91,965	317,028	(107,093)	3,265,884	4,398,456	(1,125,246)	6,539,094
Noncurrent liabilities									
Notes payable, less current portion	597,428	11,163,335	-	-	-	11,760,763	-	-	11,760,763
Operating lease liability, less current portion	-	-	-	-	-	-	8,164,014	(8,164,014)	-
Total noncurrent liabilities	597,428	11,163,335	-	-	-	11,760,763	8,164,014	(8,164,014)	11,760,763
Total liabilities	2,654,547	12,070,200	91,965	317,028	(107,093)	15,026,647	12,562,470	(9,289,260)	18,299,857
NET ASSETS									
Without donor restrictions	73,187,467	48,749,698	-	-	(63,312,497)	58,624,668	7,513,346	161,535	66,299,549
With donor restrictions	18,642,414	3,217,238	435,316	2,312,686	-	24,607,654	-	-	24,607,654
Total net assets	91,829,881	51,966,936	435,316	2,312,686	(63,312,497)	83,232,322	7,513,346	161,535	90,907,203
Total Liabilities and Net Assets	\$ 94,484,428	\$ 64,037,136	\$ 527,281	\$ 2,629,714	\$ (63,419,590)	\$ 98,258,969	\$ 20,075,816	\$ (9,127,725)	\$ 109,207,060

ORANGWOOD FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Oranegwood Foundation								Consolidated Total
	Orangewood Foundation	Orangewood Real Property LLC	Orangewood Residential LLC	General William Lyon Workforce Academy LLC	Eliminations	Combined Total	Samueli Academy	Eliminations	
SUPPORT AND REVENUES									
Contributions	\$ 4,190,283	\$ -	\$ 925,693	\$ 985,744	\$ -	\$ 6,101,720	\$ 908,841	\$ -	\$ 7,010,561
Charter school income	-	-	-	-	-	-	9,966,010	-	9,966,010
Federal revenues	3,196,439	-	72,488	-	-	3,268,927	1,294,924	-	4,563,851
Other contract revenue	1,018,328	-	618,188	-	-	1,636,516	-	-	1,636,516
Other state revenues	-	-	-	-	-	-	2,854,698	-	2,854,698
Special events, net of direct expenses	1,273,402	-	-	-	-	1,273,402	554,460	-	1,827,862
Investment income, net	1,181,492	6,888	7,531	307,361	-	1,503,272	96,962	-	1,600,234
Rental income	100,147	1,448,208	-	-	-	1,548,355	-	(1,448,208)	100,147
In-kind contributions	675,552	-	76,748	-	-	752,300	59,207	-	811,507
Other income	993,643	-	-	-	-	993,643	122,864	(979,726)	136,781
Subtotal	12,629,286	1,455,096	1,700,648	1,293,105	-	17,078,135	15,857,966	(2,427,934)	30,508,167
Total Support and Revenues	12,629,286	1,455,096	1,700,648	1,293,105	-	17,078,135	15,857,966	(2,427,934)	30,508,167
EXPENSES									
Program services	7,791,341	2,954,727	1,692,389	320,046	-	12,758,503	12,833,251	(1,609,743)	23,982,011
Management and general	3,104,940	-	8,259	1,435	-	3,114,634	1,055,668	(934,855)	3,235,447
Fundraising	976,419	-	-	-	-	976,419	330,728	(44,871)	1,262,276
Total Expenses	11,872,700	2,954,727	1,700,648	321,481	-	16,849,556	14,219,647	(2,589,469)	28,479,734
CHANGE IN NET ASSETS	756,586	(1,499,631)	-	971,624	-	228,579	1,638,319	161,535	2,028,433
Net Assets - Beginning	91,073,295	51,775,346	135,316	1,341,062	(61,321,276)	83,003,743	5,875,027	-	88,878,770
Contributed capital	-	1,691,221	300,000	-	(1,991,221)	-	-	-	-
Net Assets - Ending	\$ 91,829,881	\$ 51,966,936	\$ 435,316	\$ 2,312,686	\$ (63,312,497)	\$ 83,232,322	\$ 7,513,346	\$ 161,535	\$ 90,907,203

OTHER INDEPENDENT AUDITORS' REPORTS

**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**Independent Auditors' Report

To the Board of Directors of
Orangewood Foundation
Santa Ana, California

We have audited, in accordance with 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 financial statements of Orangewood Foundation (the "Foundation") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's 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 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.

Christy White, Inc.

San Diego, California
September 30, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Board of Directors of
Orangewood Foundation
Santa Ana, California

Report on Compliance for Each Major Federal Program**Opinion on Each Major Federal Program**

We have audited Orangewood Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Orangewood Foundation's major federal programs for the year ended June 30, 2023. Orangewood Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Orangewood Foundation complied, in all material respects, with the types of 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Orangewood Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Orangewood Foundation's compliance with the compliance requirements referred to above.

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 Orangewood 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 Orangewood 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists.

Auditor's Responsibilities for the Audit of Compliance (continued)

The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Orangewood Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 Orangewood Foundation's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Orangewood 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Orangewood 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, significant audit findings, and certain 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 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 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. 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.

Christy White, Inc.

San Diego, California
September 30, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**ORANGEWOOD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.674	Chafee Foster Care Independence Program - Independent Living Program (ILP)
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2023.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

PRIOR AUDIT FINDINGS

There were no audit findings reported in the year ended June 30, 2022.