



Financial Statements  
June 30, 2024 and 2023

# College of the Desert Foundation

Independent Auditor’s Report ..... 1

Financial Statements

    Statements of Financial Position..... 3

    Statements of Activities ..... 4

    Statements of Functional Expenses ..... 6

    Statements of Cash Flows ..... 8

    Notes to Financial Statements ..... 9



## Independent Auditor's Report

Board of Directors  
College of the Desert Foundation  
Palm Desert, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of College of the Desert Foundation (the "Foundation") (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of College of the Desert Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
October 28, 2024

College of the Desert Foundation  
Statements of Financial Position  
June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,354,191	\$ 4,450,141
Unconditional promises to give	140,313	164,280
Accounts receivable - related party	8,966	62,840
Accrued interest receivable	160,264	141,552
Student emergency funds held by District	5,000	5,000
Other assets	2,500	3,260
Total current assets	8,671,234	4,827,073
Noncurrent assets		
Investments	54,426,916	47,328,521
Investments related to deferred gifts	47,556	100,750
Beneficial interest in assets held by the Foundation for California Community Colleges	428,762	401,300
Unconditional promises to give - net of amortized discount	133,629	18,004
Total noncurrent assets	55,036,863	47,848,575
Total assets	\$ 63,708,097	\$ 52,675,648
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 25,912	\$ 53,853
Accrued expenses	80,975	43,258
Accounts payable - related party	295,453	273,831
Deferred revenue	890	5,000
Total current liabilities	403,230	375,942
Net assets		
Without donor restrictions		
Undesignated	2,660,897	2,332,077
Board designated	19,882,891	18,287,632
Total without donor restrictions	22,543,788	20,619,709
With donor restrictions	40,761,079	31,679,997
Total net assets	63,304,867	52,299,706
Total liabilities and net assets	\$ 63,708,097	\$ 52,675,648

College of the Desert Foundation

Statements of Activities

Years Ended June 30, 2024 and 2023

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues			
Grants	\$ -	\$ 369,940	\$ 369,940
Pass through scholarship donations	-	15,500	15,500
Gross special events revenue			
Sponsorships and ticket sales	785,046	40,264	825,310
Less cost of direct benefits to donors	(210,772)	-	(210,772)
Net special events revenue	574,274	40,264	614,538
Donated facilities (in-kind)	118,959	-	118,959
Annual giving	24,735	37,425	62,160
Leadership giving	178,161	198,543	376,704
Business engagement giving	17,000	69,790	86,790
Major gifts	-	406,771	406,771
Planned giving	184,536	6,437,099	6,621,635
Management services	501,723	(501,723)	-
Assets released from restrictions	1,337,435	(1,337,435)	-
Total revenues	2,936,823	5,736,174	8,672,997
Expenses			
Program	3,322,610	-	3,322,610
Management and general	339,234	-	339,234
Fundraising	247,355	-	247,355
Total expenses	3,909,199	-	3,909,199
Other income, gains and (losses)			
Net investment income	2,896,455	3,262,004	6,158,459
Change in value of deferred gifts	-	35,142	35,142
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	47,762	47,762
Total other income, gains and (losses)	2,896,455	3,344,908	6,241,363
Change in Net Assets	1,924,079	9,081,082	11,005,161
Net Assets, Beginning of Year	20,619,709	31,679,997	52,299,706
Net Assets, End of Year	\$ 22,543,788	\$ 40,761,079	\$ 63,304,867

College of the Desert Foundation

Statements of Activities

Years Ended June 30, 2024 and 2023

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues</b>			
Grants	\$ -	\$ 318,700	\$ 318,700
Pass through scholarship donations	-	112,510	112,510
Gross special events revenue			
Sponsorships and ticket sales	693,088	34,685	727,773
Less cost of direct benefits to donors	(133,818)	-	(133,818)
Net special events revenue	559,270	34,685	593,955
Donated facilities (in-kind)	160,425	-	160,425
Annual giving	24,461	31,465	55,926
Leadership giving	137,539	286,025	423,564
Business engagement giving	11,513	15,707	27,220
Major gifts	-	460,504	460,504
Planned giving	326,979	155,654	482,633
Management services	413,825	(413,825)	-
Assets released from restrictions	1,310,775	(1,310,775)	-
Total revenues	2,944,787	(309,350)	2,635,437
<b>Expenses</b>			
Program	2,698,799	-	2,698,799
Management and general	299,814	-	299,814
Fundraising	199,663	-	199,663
Total expenses	3,198,276	-	3,198,276
<b>Other income, gains and (losses)</b>			
Net investment income	1,520,195	1,495,017	3,015,212
Change in value of deferred gifts	-	(29,667)	(29,667)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	43,431	43,431
Total other income, gains and (losses)	1,520,195	1,508,781	3,028,976
Change in Net Assets	1,266,706	1,199,431	2,466,137
Net Assets, Beginning of Year	19,353,003	30,480,566	49,833,569
Net Assets, End of Year	\$ 20,619,709	\$ 31,679,997	\$ 52,299,706

College of the Desert Foundation  
Statements of Functional Expenses  
Years Ended June 30, 2024 and 2023

	2024			
	Program	Management and General	Fundraising	Total
College support	\$ 585,368	\$ -	\$ -	\$ 585,368
Scholarships	898,812	-	-	898,812
Special events	147,540	-	63,232	210,772
Salaries and benefits	1,357,422	148,985	148,985	1,655,392
Bank and credit card charges	2,200	3,301	-	5,501
Equipment and maintenance	9,429	13,471	4,041	26,941
Insurance	-	555	-	555
Marketing	254,994	-	55,974	310,968
Development	31,685	-	7,921	39,606
Annual report	4,179	522	522	5,223
Independent contractors	85,324	-	21,331	106,655
Membership	40	1,920	40	2,000
President's fund	7,157	-	-	7,157
Office	6,729	8,225	-	14,954
Conferences and travel	11,634	19,390	7,756	38,780
Postage and printing	4,567	570	571	5,708
Professional services	52,797	22,627	-	75,424
Recognition	10,273	214	214	10,701
Donated facilities	-	118,959	-	118,959
Telephone	-	495	-	495
	<u>3,470,150</u>	<u>339,234</u>	<u>310,587</u>	<u>4,119,971</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	(147,540)	-	(63,232)	(210,772)
Total expenses	<u>\$ 3,322,610</u>	<u>\$ 339,234</u>	<u>\$ 247,355</u>	<u>\$ 3,909,199</u>

College of the Desert Foundation  
Statements of Functional Expenses  
Years Ended June 30, 2024 and 2023

	2023			
	Program	Management and General	Fundraising	Total
College support	\$ 491,140	\$ -	\$ -	\$ 491,140
Scholarships	904,264	-	-	904,264
Special events	93,673	-	40,145	133,818
Salaries and benefits	853,435	106,679	106,679	1,066,793
Bank and credit card charges	2,686	4,030	-	6,716
Equipment and maintenance	6,929	9,898	2,969	19,796
Insurance	-	555	-	555
Marketing	208,179	-	52,045	260,224
Development	33,694	-	8,424	42,118
Annual report	13,649	1,706	1,706	17,061
Independent contractors	81,808	-	20,452	102,260
Membership	47	2,246	54	2,347
President's fund	28,591	-	-	28,591
Office	6,554	8,010	-	14,564
Conferences and travel	7,149	11,915	4,766	23,830
Postage and printing	19,802	2,475	2,475	24,752
Professional services	36,432	15,614	-	52,046
Recognition	4,440	93	93	4,626
Donated facilities	-	132,789	-	132,789
Telephone	-	3,804	-	3,804
	<u>2,792,472</u>	<u>299,814</u>	<u>239,808</u>	<u>3,332,094</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	(93,673)	-	(40,145)	(133,818)
Total expenses	<u>\$ 2,698,799</u>	<u>\$ 299,814</u>	<u>\$ 199,663</u>	<u>\$ 3,198,276</u>

College of the Desert Foundation  
Statements of Cash Flows  
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 11,005,161	\$ 2,466,137
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Amortization of discount on unconditional promises to give	(16,371)	(1,996)
Unrealized gain on investments	(3,992,914)	(2,177,595)
Realized (gain) loss on investments	(947,854)	168,444
Contributions received through deferred gifts	-	(27,090)
Distributions from deferred gifts	88,336	-
Change in value of investments related to deferred gifts	(35,142)	29,667
Contributions restricted for long-term purposes	(3,539,912)	(348,138)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	20,300	26,650
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(47,762)	(43,431)
Changes in assets and liabilities		
Unconditional promises to give	(75,287)	(89,510)
Accounts receivable	-	125
Accounts receivable - related party	53,874	(60,752)
Accrued interest receivable	(18,712)	(9,587)
Other assets	760	2,740
Accounts payable	(27,941)	3,021
Accrued expenses	37,717	2,467
Accounts payable - related party	21,622	35,616
Deferred revenue	(4,110)	(62,500)
Net Cash Flows from (used for) Operating Activities	2,521,765	(85,732)
Investing Activities		
Sale of investments	30,571,106	17,245,421
Purchase of investments	(32,728,733)	(16,501,455)
Net Cash Flows from (used for) Investing Activities	(2,157,627)	743,966
Financing Activities		
Collections of contributions restricted for long-term purposes	3,539,912	348,138
Net Change in Cash and Cash Equivalents	3,904,050	1,006,372
Cash and Cash Equivalents Beginning of Year	4,450,141	3,443,769
Cash and Cash Equivalents End of Year	\$ 8,354,191	\$ 4,450,141

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

College of the Desert Foundation (the "Foundation") is a non-profit organization that was formed on July 27, 1983. The purpose of the Foundation is to enhance the quality of education by advancing College of the Desert (the "College") through building relationships, securing philanthropic support, and stewarding assets. The Foundation operates primarily in the Coachella Valley of Southern California. Substantially all of the Foundation's donors are residents of this area, and the Foundation is subject to economic factors which may affect charitable giving in Southern California.

**EDGE/pLEDGE**

The EDGE/pLEDGE initiative represents a powerful commitment to the educational and economic future of regional students, the college, and the community. During the 2023-2024 academic year, pLEDGE programs provided tuition-free education with textbook support for students from underserved populations at the college. The funding is used to provide pLEDGE last-dollar tuition and fee scholarships, and textbook support to promote retention and success and economic improvement for underserved Coachella Valley student populations.

Many of the underrepresented students served by the College and Foundation are already Pell and California College Promise Grant eligible. While these programs can offset most of the cost for postsecondary education at the college, the student must cover residual costs. In some cases, the remaining costs become a barrier to full-time postsecondary education. The pLEDGE support removes that barrier by providing enough funding to offset residual costs for each student.

Students receiving pLEDGE assistance are required to maintain full-time enrollment in their chosen major, develop a two-year educational plan, engage in community service, complete career preparation workshops and maintain good academic standing. Participants must also complete the EDGE three-week summer bridge program that provides a review in math, English, reading skills, and student development. By focusing on recent high school graduates, the goal of the pLEDGE program is to remove economic barriers for incoming students while providing critical guidance, college readiness skills, and the academic support essential to achieving individual educational and career goals. Through these efforts, pLEDGE holds the potential to increase access to postsecondary education, provide critical scholarship dollars to reduce or eliminate achievement gaps, and increase postsecondary retention, completion, and transfer rates for students from minority, low-income, first-generation, military, disabled, foster youth, underrepresented, and other populations.

The Foundation's and College's commitment to EDGE/pLEDGE program is part of a collaborative effort to close the education gap in our service area, promote postsecondary education equity in our community, and improve quality of life and economic prosperity in the region.

The College and Foundation are working to institutionalize the program, and faculty and staff are committed to and support attainment of the pLEDGE goals. The value pLEDGE brings to postsecondary program recruitment, enrollment success, and transfer are acknowledged by the institution, and the potential success of the program is well recognized on campus. Many members of the college community advocate for the program on campus and in the community. A recent \$18 million gift to College of the Desert Foundation from MacKenzie Scott was established as a quasi-endowment known as the EDGE/pLEDGE Forever Fund. However, the Foundation's strategic goal is \$50 million to ensure EDGE/pLEDGE is funded in perpetuity at current anticipated levels of enrollment.

### **Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

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

### **Net Assets**

Net assets, revenues, expenses, 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 general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation. The Foundation's Board has also designated, from net assets without donor restrictions, net assets for an operating reserve and certain uses, as described in Note 10.

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

**Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. In the years ended June 30, 2024 and 2023, the Foundation did not receive any conditional promises to give.

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as net assets without donor restrictions.

**Donated Assets, Services, and Facilities (In Kind Contributions)**

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College. A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements because they do not meet recognition criteria prescribed by generally accepted accounting principles.

**Estimates**

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

**Income Taxes**

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

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

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking, money market accounts, and certificates of deposit with original maturities of less than 90 days.

The Foundation maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2024 and 2023, the Foundation had approximately \$7,400,000 and \$3,600,000, respectively, in excess of FDIC-insured limits.

### **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 that are 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 uncollectable. Management has deemed all amounts as collectible; therefore, no allowance for doubtful accounts is considered necessary.

### **Beneficial Interest in Assets Held by Community Foundation**

The Foundation established an endowment fund that is perpetual in nature (the "Fund") under a community foundation's (the "CF") Osher Endowment Scholarship program and named the Foundation as a beneficiary. The Foundation granted variance power to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statements of activities.

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

**Deferred Revenue**

Deferred revenue consist primarily of amounts received in advance for future special events and future membership fees paid in advance. Contributions are received from donors to support future special events and future membership fees for the Foundations. These contributions are recognized when the event is held and as the membership is renewed .

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include special events, salaries and benefits, credit card charges, equipment and maintenance, independent contractors, annual report, marketing and development, membership, office, conference and travel, postage and printing, professional services, recognition, and development, which are allocated on the basis of estimates of time and effort.

**Management Fee**

Endowments received by the Foundation are subject to a two percent annual administrative fee of the value of the endowed asset. The fee will come from the interest earned off the endowment. Revenues received from management fees are used by the Foundation to further advancement efforts on behalf of College of the Desert.

**Advertising Costs**

Costs associated with advertising are expensed as incurred. During the 2024 and 2023 fiscal years, total advertising costs were \$310,968 and \$260,224, respectively.

**Reclassifications**

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

**Subsequent Events**

The Foundation has evaluated subsequent events through October 28, 2024, the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30,:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,897,137	\$ 2,561,033
Unconditional promises to give	60,313	45,000
	<u>\$ 2,957,450</u>	<u>\$ 2,606,033</u>

**Liquidity Management**

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains a Board Designated Reserve Fund. The Foundation has an Investment Policy Statement that establishes investment objectives for short-term and long-term investments. The short-term investments include assets with donor restrictions, as well as assets without donor restrictions. Since these funds are maintained for current operating expenses, as well as near-term funding commitments, they are managed with little or no risk to principle. They include cash and cash equivalents and short-term fixed income securities with an average maturity of three years and a maximum maturity of five years. The Endowed Assets are invested to emphasize long-term investment fundamentals. The objective is to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation.

**Note 3 - Restrictions on Net Asset Balances**

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

	<u>2024</u>	<u>2023</u>
Deferred gifts	\$ 47,556	\$ 100,750
Various donor restricted program funds	10,163,456	8,197,087
Beneficial interest in assets held by the Foundation for California Community Colleges	92,213	64,751
Various donor restricted scholarship funds	6,567,727	2,967,684
	<u>\$ 16,870,952</u>	<u>\$ 11,330,272</u>

College of the Desert Foundation

Notes to Financial Statements

June 30, 2024 and 2023

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

	<u>2024</u>	<u>2023</u>
Various donor program endowments	\$ 15,273,103	\$ 11,773,103
Beneficial interest in assets held by the Foundation for California Community Colleges	336,549	336,549
Various donor scholarships endowments	<u>8,280,475</u>	<u>8,240,073</u>
Total donor restricted net assets	<u>\$ 23,890,127</u>	<u>\$ 20,349,725</u>

**Note 4 - Unconditional Promises to Give**

The Foundation's unconditional promises to give consisted of the following at June 30,:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give, less than one year	\$ 140,313	\$ 164,280
Unconditional promises to give, more than one year	<u>150,000</u>	<u>20,000</u>
Total	290,313	184,280
Less: Unamortized discount	<u>(16,371)</u>	<u>(1,996)</u>
Net Unconditional Promises to Give	<u>\$ 273,942</u>	<u>\$ 182,284</u>

The discount rate utilized for the years ended June 30, 2024, and 2023 was 5.09% and 5.40%, respectively.

**Note 5 - Investments**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 721,366	\$ 775,016	\$ 1,496,382
Net realized gain on investments	443,101	504,753	947,854
Net unrealized gain on investments	<u>1,847,969</u>	<u>2,144,945</u>	<u>3,992,914</u>
Total investment income	3,012,436	3,424,714	6,437,150
Investment expenses	<u>(132,612)</u>	<u>(146,079)</u>	<u>(278,691)</u>
Total investment income, net of expenses	<u>\$ 2,879,824</u>	<u>\$ 3,278,635</u>	<u>\$ 6,158,459</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 636,021	\$ 618,334	\$ 1,254,355
Net realized loss on investments	(84,780)	(83,664)	(168,444)
Net unrealized gain on investments	1,093,962	1,083,633	2,177,595
 Total investment income	 1,645,203	 1,618,303	 3,263,506
Investment expenses	(125,008)	(123,286)	(248,294)
 Total investment income, net of expenses	 <u>\$ 1,520,195</u>	 <u>\$ 1,495,017</u>	 <u>\$ 3,015,212</u>

#### **Note 6 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges**

The Foundation for California Community Colleges ("FCCC") has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a \$25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to foundations that participate. In order to take advantage of this opportunity, the Foundation and its donors have contributed \$336,549. As of June 30, 2024 and 2023, the ending balance of the Osher Endowment Scholarship was \$428,762 and \$401,300, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

#### **Note 7 - Fair Value Measurements and Disclosures**

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

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

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

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

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

#### Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2024. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2024.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	\$ 30,836,676	\$ -	\$ -	\$ 30,836,676
Bonds	-	13,495,622	-	13,495,622
Mutual Funds	4,716,545	-	-	4,716,545
U.S. Treasuries	-	3,028,438	-	3,028,438
Exchange Traded Funds	1,405,027	-	-	1,405,027
Real Estate Investment Trust	459,826	-	-	459,826
Alternative Investments	-	-	484,782	484,782
Deferred Gifts	-	-	47,556	47,556
FCCC Osher Endowment Scholarship Fund	-	-	428,762	428,762
Total	\$ 37,418,074	\$ 16,524,060	\$ 961,100	\$ 54,903,234

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2023. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	\$ 18,990,958	\$ -	\$ -	\$ 18,990,958
Bonds	-	13,718,081	-	13,718,081
Mutual Funds	4,116,551	-	-	4,116,551
U.S. Treasuries	-	8,735,603	-	8,735,603
Exchange Traded Funds	1,007,061	-	-	1,007,061
Real Estate Investment Trust	335,210	-	-	335,210
Alternative Investments	-	-	425,057	425,057
Deferred Gifts	-	-	100,750	100,750
FCCC Osher Endowment Scholarship Fund	-	-	401,300	401,300
Total	\$ 24,449,780	\$ 22,453,684	\$ 927,107	\$ 47,830,571

College of the Desert Foundation

Notes to Financial Statements

June 30, 2024 and 2023

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2024:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interests		
	Alternative Investments	Deferred Gifts	FCC Osher Endowment Scholarship Fund
Balance at June 30, 2023	\$ 425,057	\$ 100,750	\$ 401,300
Purchases/contributions of investments	52,600	-	-
Investment return, net	7,125	35,142	45,829
Distributions	-	(88,336)	(18,367)
Balance at June 30, 2024	<u>\$ 484,782</u>	<u>\$ 47,556</u>	<u>\$ 428,762</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interests		
	Alternative Investments	Deferred Gifts	FCC Osher Endowment Scholarship Fund
Balance at June 30, 2022	\$ 416,996	\$ 103,327	\$ 384,519
Purchases/contributions of investments	-	27,090	-
Investment return, net	8,061	(29,667)	40,181
Distributions	-	-	(23,400)
Balance at June 30, 2023	<u>\$ 425,057</u>	<u>\$ 100,750</u>	<u>\$ 401,300</u>

**Note 8 - Investments Related to Deferred Gifts**

The Foundation has a beneficial interest in various irrevocable charitable remainder trusts and pooled income funds including a pooled income fund administered by the Foundation for California Community Colleges. The assets are held in various stocks, bonds, and other assets in the names of the individual donors' trusts, and are accounted for in net assets with donor restrictions. The trusts provide for payments to the granter or other designated beneficiary over the trust's terms. At the end of the trust's term, the remaining assets are available to the Foundation. Fair value is based on the present value of the estimated future benefits to be received, which take into account required annual distributions to the donor, the donor's life expectancy, and the assumed rate of return on the investments over the years. The trusts are revalued on an annual basis, and the change in the present value of the trusts' assets is recorded as a gain or loss in the statements of activities.

A summary of the changes in split interest agreements is summarized as follows for June 30,:

	<u>2024</u>	<u>2023</u>
Beginning Balance	\$ 100,750	\$ 103,327
Contributions	-	27,090
Distributions	<u>(88,336)</u>	<u>-</u>
Total	<u>\$ 12,414</u>	<u>\$ 130,417</u>
Net changes in current fair market values	<u>\$ 35,142</u>	<u>\$ (29,667)</u>
Ending Balance	<u>\$ 47,556</u>	<u>\$ 100,750</u>

#### Note 9 - Endowments

The Foundation's endowment (the "Endowment") consists of approximately 163 individual funds established by donors to provide annual funding for specific activities and general operations.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2024 and 2023, there were no such stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

College of the Desert Foundation

Notes to Financial Statements

June 30, 2024 and 2023

As of June 30, 2024, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 19,122,891	\$ -	\$ 19,122,891
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,890,128	23,890,128
Accumulated investment gains	-	8,182,382	8,182,382
	<u>\$ 19,122,891</u>	<u>\$ 32,072,510</u>	<u>\$ 51,195,401</u>

As of June 30, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 17,537,632	\$ -	\$ 17,537,632
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,349,723	20,349,723
Accumulated investment gains	-	5,599,918	5,599,918
	<u>\$ 17,537,632</u>	<u>\$ 25,949,641</u>	<u>\$ 43,487,273</u>

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor of the UPMIFA required the Foundation to retain as a fund of perpetual duration (“below water endowments”). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of \$370,526, fair values of \$348,642, and deficiencies of \$21,884 were reported in net assets with donor restrictions. These amounts were fully recovered during 2024 due to favorable market fluctuations.

### Investment and Spending Policies

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Therefore, the Foundation expects its endowment assets, over time, to exceed the average annual return of the applicable benchmark index with a lower than benchmark volatility over a three to five year rolling time period. Actual returns in any given year may vary from this expectation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

College of the Desert Foundation

Notes to Financial Statements

June 30, 2024 and 2023

The Foundation's Board-approved spending policy was created to protect the values of the endowments. The Board of Directors approved a policy that all endowments are first subject to an annual administrative fee of two percent calculated at the end of each month, based on the market value balance that is deposited into the operating fund of the Foundation. The total endowment spending rate of no more than five percent per year is determined by the investment committee at the annual meeting using the average market value of the funds on June 30 for each of the three years immediately preceding the fiscal year the payout is to be made.

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 17,537,632	\$ 25,949,641	\$ 43,487,273
Contributions	-	3,540,402	3,540,402
Investment income	2,051,045	3,453,974	5,505,019
Amounts appropriated for expenditures	(465,786)	(871,510)	(1,337,296)
Ending Balance	<u>\$ 19,122,891</u>	<u>\$ 32,072,507</u>	<u>\$ 51,195,398</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 16,878,435	\$ 24,613,195	\$ 41,491,630
Contributions	-	324,139	324,139
Transfers, other	-	24,758	24,758
Investment income	1,117,074	1,635,577	2,752,651
Amounts appropriated for expenditures	(457,877)	(648,028)	(1,105,905)
Ending Balance	<u>\$ 17,537,632</u>	<u>\$ 25,949,641</u>	<u>\$ 43,487,273</u>

**Note 10 - Board Designated Net Assets**

Net assets without donor restrictions that have been board designated consist of the following at June 30,:

	2024	2023
General Board Reserves	\$ 510,000	\$ 500,000
Board Designated EDGE/pLEDGE	250,000	250,000
Quasi Endowment for Campus Grants	635,623	579,867
Quasi Endowment for EDGE/pLEDGE	18,487,268	16,957,765
	<u>\$ 19,882,891</u>	<u>\$ 18,287,632</u>

**Note 11 - In Kind Contributions**

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

	2024	2023
Office facilities donated by a related party	\$ 118,959	\$ 132,789
Special event facilities donated by an unrelated party	-	27,636
Total	<u>\$ 118,959</u>	<u>\$ 160,425</u>

**Note 12 - Related Party Transactions****Desert Community College District**

Desert Community College District (the "District") charges administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District and reimbursed by the Foundation. Accordingly, at June 30, 2024 and 2023, the Foundation owed the District \$295,453 and \$273,831, respectively, for all services. The District collects employee contributions on behalf of the Foundation through the payroll process. Accordingly, at June 30, 2024 and 2023, the District owed the Foundation \$8,966 and \$62,840, respectively. The District maintains a balance of Foundation funds for purposes of student emergency awards. The balances of the funds as of June 30, 2024 and 2023, amounted to \$5,000 and \$5,000, respectively.

In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2024 and 2023 amounted to \$118,959 and \$132,789, respectively, and have been reflected in the financial statements as in-kind revenue.

**Desert Community College District Auxiliary Services**

Desert Community College District Auxiliary Services (the "Auxiliary") provides services for the Foundation in the form of passing through scholarships issued by the Foundation to student accounts. These scholarships are recorded in the Foundation financials under program expenses.

**Other Related Party**

The Foundation received marketing services from a company owned by a board member. Expenses in relation to these services totaled \$143,190 and \$126,007 for the years ended June 30, 2024 and 2023, respectively.