Financial Statements
June 30, 2021 and 2020

College of the Desert Foundation

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, 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.

Eide Bailly LLP

Rancho Cucamonga, California
October 13, 2021

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 20,379,101	$ 1,636,133
Investments	33,951,783	31,051,622
Investments related to deferred gifts	158,228	168,020
Unconditional promises to give	30,000	14,808
Accounts receivable	-	1,000
Accounts receivable - related party	2,296	-
Accrued interest receivable	96,255	109,348
Student emergency funds held by District	5,000	5,000
Other assets	2,500	2,500
Total current assets	54,625,163	32,988,431
Noncurrent assets		
Beneficial interest in assets held by the Foundation for California Community Colleges	463,215	381,424
Unconditional promises to give - net of amortized discount	65,867	10,320
Equipment (net of accumulated depreciation)	-	40
Total noncurrent assets	529,082	391,784
Total assets	$ 55,154,245	$ 33,380,215
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 25,274	$ 48,201
Accrued expenses	43,465	20,771
Accounts payable - related party	91,576	188,112
Total current liabilities	160,315	257,084
Net assets		
Without donor restrictions		
Undesignated	20,917,272	2,350,492
Board designated	750,000	500,000
Total without donor restrictions	21,667,272	2,850,492
With donor restrictions	33,326,658	30,272,639
Total net assets	54,993,930	33,123,131
Total liabilities and net assets	$ 55,154,245	$ 33,380,215

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants	$ -	$ 422,493	$ 422,493
Pass through scholarship donations	-	221,617	221,617
Special events revenue	-	-	-
Donated facilities (in-kind)	33,334	-	33,334
Annual Giving	22,834	29,574	52,408
Leadership Giving	201,331	259,712	461,043
Business Engagement Giving	8,925	148,492	157,417
Major Gifts	18,145,000	221,907	18,366,907
Planned Giving	91,400	2,657	94,057
Management services	426,905	(426,905)	-
Assets released from restrictions	1,571,314	(1,571,314)	-
Total revenues	20,501,043	(691,767)	19,809,276
Expenses			
Program	2,181,473	-	2,181,473
Management and general	538,029	-	538,029
Fundraising	287,358	-	287,358
Total expenses	3,006,860	-	3,006,860
Other income, gains and losses			
Net unrealized gain on investments	747,460	2,083,914	2,831,374
Net realized gain on investments	435,482	1,161,063	1,596,545
Interest and dividends, net of fees	139,655	407,809	547,464
Subtotal investment income	1,322,597	3,652,786	4,975,383
Change in value of deferred gifts	-	(9,792)	(9,792)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	102,792	102,792
Total other income, gains and losses	1,322,597	3,745,786	5,068,383
Change in Net Assets	18,816,780	3,054,019	21,870,799
Net Assets, Beginning of Year	2,850,492	30,272,639	33,123,131
Net Assets, End of Year	$ 21,667,272	$ 33,326,658	$ 54,993,930

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants	$ 5,000	$ 326,875	$ 331,875
Pass through scholarship donations	-	329,622	329,622
Special events revenue	305,018	-	305,018
Donated facilities (in-kind)	62,926	-	62,926
Annual Giving	13,236	27,849	41,085
Leadership Giving	69,729	166,175	235,904
Business Engagement Giving	1,000	125,272	126,272
Major Gifts	-	-	-
Planned Giving	96,275	139,663	235,938
Management services	429,455	(429,455)	-
Assets released from restrictions	1,653,094	(1,653,094)	-
Total revenues	2,635,733	(967,093)	1,668,640
Expenses			
Program	2,261,819	-	2,261,819
Management and general	443,095	-	443,095
Fundraising	238,447	-	238,447
Total expenses	2,943,361	-	2,943,361
Other income, gains and losses			
Net unrealized gain on investments	16,890	109,568	126,458
Net realized gain on investments	109,699	282,275	391,974
Interest and dividends, net of fees	176,937	464,855	641,792
Subtotal investment income	303,526	856,698	1,160,224
Change in value of deferred gifts	-	(18,669)	(18,669)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	4,494	4,494
Total other income, gains and losses	303,526	842,523	1,146,049
Change in Net Assets	(4,102)	(124,570)	(128,672)
Net Assets, Beginning of Year	2,854,594	30,397,209	33,251,803
Net Assets, End of Year	$ 2,850,492	$ 30,272,639	$ 33,123,131

	2021			
	Program	Management and General	Fundraising	Total
College support	$ 240,534	$ -	$ -	$ 240,534
Scholarships	1,347,846	-	-	1,347,846
Special event	-	-	-	-
Salaries and benefits	341,083	428,790	204,650	974,523
Bank and credit card charges	-	3,938	-	3,938
Depreciation	-	40	-	40
Equipment and maintenance	-	16,540	-	16,540
Insurance	-	555	-	555
Marketing and development	171,944	-	48,150	220,094
Independent contractors	59,402	21,601	20,501	101,504
Membership	45	2,179	45	2,269
President's fund	1,035	-	-	1,035
Office	-	6,493	160	6,653
Conferences and travel	3,037	5,061	2,025	10,123
Postage and printing	12,870	6,447	7,978	27,295
Professional services	3,334	10,002	3,334	16,670
Recognition	343	2,572	515	3,430
Donated facilities	-	33,334	-	33,334
Telephone	-	477	-	477
Total expenses	$ 2,181,473	$ 538,029	$ 287,358	$ 3,006,860

	2020			
	Program	Management and General	Fundraising	Total
College support	$ 550,046	$ -	$ -	$ 550,046
Scholarships	1,266,263	-	-	1,266,263
Special event	-	-	18,343	18,343
Salaries and benefits	218,746	274,995	131,248	624,989
Bank and credit card charges	-	3,075	-	3,075
Depreciation	-	1,744	-	1,744
Equipment and maintenance	-	17,371	-	17,371
Insurance	-	555	-	555
Marketing and development	105,558	-	32,589	138,147
Independent contractors	90,198	32,799	40,999	163,996
Membership	55	2,625	55	2,735
President's fund	12,698	-	-	12,698
Office	-	9,506	233	9,739
Conferences and travel	2,072	3,454	1,382	6,908
Postage and printing	7,399	3,706	4,587	15,692
Professional services	8,329	24,988	8,329	41,646
Recognition	455	3,409	682	4,546
Donated facilities	-	62,926	-	62,926
Telephone	-	1,942	-	1,942
Total expenses	$ 2,261,819	$ 443,095	$ 238,447	$ 2,943,361

	2021	2020
Operating Activities		
Change in net assets	$ 21,870,799	$ (128,672)
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Depreciation	40	1,744
Amortization of discount on promises to give	(133)	(680)
Unrealized gain on investments	(2,831,374)	(126,458)
Realized gain on investments	(1,596,545)	(391,974)
Change in value of deferred gifts	9,792	(20,969)
Contributions restricted for long-term purposes	(150,754)	-
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	21,001	20,400
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(102,792)	(4,494)
Changes in assets and liabilities		
Unconditional promises to give	(70,606)	190,360
Accounts receivable	1,000	(1,000)
Accounts receivable - related party	(2,296)	-
Accrued interest receivable	13,093	4,692
Accounts payable	(22,927)	(107,919)
Accrued expenses	22,694	(5,280)
Accounts payable - related party	(96,536)	(19,980)
Net Cash Flows from (used for) Operating Activities	17,064,456	(590,230)
Investing Activities		
Sale of investments	13,616,662	10,048,816
Purchase of investments	(12,088,904)	(10,142,804)
Net Cash Flows from (used for) Investing Activities	1,527,758	(93,988)
Financing Activities		
Collections of contributions restricted for long-term purposes	150,754	-
Net Change in Cash and Cash Equivalents	18,742,968	(684,218)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,636,133	2,320,351
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 20,379,101	$ 1,636,133

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.

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 imposed 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 certain uses, as described in Note 11.

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

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation adopted ASC 606 with a date of the initial application of July 1, 2020, using the full-retrospective method.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Foundation recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 met.

The adoption of ASC 606 did not have a significant impact on the Foundation’s statement of financial position, results of its activities, or cash flows. The Foundation’s revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams. Based on the Foundation’s evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Donated Assets, Services, and Facilities

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.

Use of 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 non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. There was no unrelated business activity income for the years ended June 30, 2021 and 2020.

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.

Property and Equipment

Capital purchases comprise furniture, fixtures and equipment, and leasehold improvements. Property and equipment additions over $2,000, are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization is computed and recorded utilizing the straight-line method. Estimated useful lives of equipment currently held by the Foundation is five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

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 cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. Deposit concentration risk is managed by placing cash balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

Promises to Give

Th 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 return/(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.

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 salaries and benefits, independent contractors, marketing and development, membership, office, conference and travel, postage and printing, professional services, and recognition, 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. The Foundation also assesses a five percent gift fee on all restricted and endowed donations. Revenues received from management fees are used by the Foundation to further advancement efforts on behalf of College of the Desert. The gift fee was suspended for the 2021 fiscal year.

Advertising Costs

Costs associated with advertising are expensed as incurred. During the 2021 and 2020 fiscal years, total advertising costs were $220,094 and $138,147, respectively.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2020, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

The Foundation has adopted the provisions of ASU 2018-13, *Fair Value Measurement* (ASU 2018-13). The amendments in ASU 2018-13 remove, modify, and supplement the disclosure requirements for fair value measurements. These changes did not have a material impact on the Foundation's financial statements and disclosures. The Foundation has implemented the provisions of this ASU because management believes it improves the Foundation's financial reporting.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

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,:

	2021	2020
Cash and cash equivalents	$ 18,847,699	$ 887,442
Investments	2,867,477	1,938,041
Unconditional promises to give, current (pledges)	10,000	10,000
Total financial assets available within one year	$ 21,725,176	$ 2,835,483

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,:

	2021	2020
Deferred gifts	$ 158,228	$ 168,020
Various donor restricted funds	5,894,570	6,156,483
Osher endowment	126,666	44,875
Foundation scholarships	7,581,636	4,488,455
Total donor restricted net assets	$ 13,761,100	$ 10,857,833

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

	2021	2020
Scholarships and programs for the College	$ 6,881,927	$ 6,731,175
Osher endowment	336,549	336,549
General endowments	12,347,082	12,347,082
Total donor restricted net assets	$ 19,565,558	$ 19,414,806

Note 4 - Unconditional Promises to Give

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

	2021	2020
Unconditional promises to give, less than one year	$ 30,000	$ 14,808
Unconditional promises to give, more than one year	66,000	11,000
Total	96,000	25,808
Less: Unamortized discount	(133)	(680)
Net Unconditional Promises to Give	$ 95,867	$ 25,128

The discount rate utilized for the years ended June 30, 2021, and 2020 was 0.07% and 4.00%, 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 185,703	$ 532,926	$ 718,629
Net realized gain	435,482	1,161,063	1,596,545
Net unrealized gain	747,460	2,083,914	2,831,374
Total investment income	1,368,645	3,777,903	5,146,548
Investment expenses	(46,048)	(125,117)	(171,165)
Total investment income, net of expenses	$ 1,322,597	$ 3,652,786	$ 4,975,383

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 222,142	$ 582,378	$ 804,520
Net realized gain	109,699	282,275	391,974
Net unrealized gain	16,890	109,568	126,458
Total investment income	348,731	974,221	1,322,952
Investment expenses	(45,205)	(117,523)	(162,728)
Total investment income, net of expenses	$ 303,526	$ 856,698	$ 1,160,224

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 colleges that participate. In order to take advantage of this opportunity, the College and its donors have contributed $336,549. As of June 30, 2021 and 2020, the ending balance of the Osher Endowment Scholarship was $463,215 and $381,424, 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. 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, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	$ 15,353,462	$ -	$ -	$ 15,353,462
Bonds	640,758	14,546,602	-	15,187,360
Mutual Funds	1,450,098	-	-	1,450,098
U.S. Treasuries	-	790,207	-	790,207
Exchange Traded Funds	1,043,311	-	-	1,043,311
Other Assets	127,345	-	-	127,345
Beneficiary Remainder Trust	-	-	158,228	158,228
FCCC Osher Endowment Scholarship Fund	-	-	463,215	463,215
Total	$ 18,614,974	$ 15,336,809	$ 621,443	$ 34,573,226

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	$ 10,873,852	$ -	$ -	$ 10,873,852
Bonds	10,829,145	6,636,834	-	17,465,979
Mutual Funds	1,853,973	-	-	1,853,973
U.S. Treasuries	-	-	-	-
Exchange Traded Funds	774,901	-	-	774,901
Other Assets	82,917	-	-	82,917
Beneficiary Remainder Trust	-	-	168,020	168,020
FCCC Osher Endowment Scholarship Fund	-	-	381,424	381,424
Total	$ 24,414,788	$ 6,636,834	$ 549,444	$ 31,601,066

Note 8 - Equipment

Property and equipment are summarized as follows at June 30,:

	2021	2020
Assets being depreciated	$ 23,638	$ 23,638
Accumulated depreciation	(23,638)	(23,598)
Total	$ -	$ 40

Depreciation expense was $40 and $1,744 at June 30, 2021 and 2020, respectively.

Note 9 - Split Interest Agreements

The Foundation has a beneficial interest in various irrevocable charitable remainder trusts and pooled income funds including a pooled income fund administered by the Community College League of California. 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,:

	2021	2020
Beginning Balance	$ 168,020	$ 147,051
Contributions	-	55,617
Total	$ 168,020	$ 202,668
Amounts received during the year	$ (48,060)	$ (48,060)
Net changes in current fair market values	38,268	13,412
Ending Balance	$ 158,228	$ 168,020

Note 10 - Endowments

The Foundation's endowment (the Endowment) consists of approximately 73 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, 2021 and 2020, 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

Endowment net asset compositions by type of fund are as follows as of June 30,:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 19,565,558	$ 19,414,806
Accumulated investment gains	7,708,302	4,533,330
	$ 27,273,860	$ 23,948,136

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"). In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature reported as of June 30, 2021.

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.

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 are as follows for June 30,:

	2021 With Donor Restrictions	2020 With Donor Restrictions
Beginning Balance	$ 23,948,136	$ 23,746,663
Contributions	155,502	-
Investment income	3,859,696	958,314
Amounts appropriated for expenditures	(689,474)	(756,841)
Ending Balance	$ 27,273,860	$ 23,948,136

Note 11 - Board Designated Net Assets

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

	2021	2020
General Reserves	$ 500,000	$ 500,000
Pledge Program	250,000	-
	$ 750,000	$ 500,000

Note 12 - Paycheck Protection Program (PPP) Loan

The Foundation was granted a $97,545 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized $97,545 as contribution revenue for the year ended June 30, 2021.

Note 13 - 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, 2021 and 2020, the Foundation owed the District $91,576 and $188,112, respectively, for all services. The District collects employee contributions on behalf of the Foundation through the payroll process. Accordingly, at June 30, 2021 and 2020, the District owed the Foundation $2,296 and $0, respectively. The District maintains a balance of Foundation funds for purposes of student emergency awards. The balances of the funds as of June 30, 2021 and 2020, 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 2021 and 2020 amounted to $33,334 and $62,926, 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.

Note 14 - Lease Commitments

The Foundation leases a copier under a 48-month operating lease agreement that commenced April 2019 and expires March 2023.

For leases as of June 30, 2021, minimum required future rental payments are as follows:

Year Ending June 30,	Total Payments
2022	$ 7,183
2023	5,388
Total	$ 12,571

Note 15 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through October 13, 2021, which is the date the financial statements were available to be issued.

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

In planning and performing our audit of the financial statements of College of the Desert Foundation (the Foundation) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the entity's internal control to be a significant deficiency.

Observation

Account balances were misstated as of fiscal year-end due to errors in the misclassification of revenues and net asset designations.

Recommendation

We recommend the Foundation management and audit committee continue to review financial transactions on a regular basis and thoroughly reviewing non-recurring transactions to ensure they are properly recognized and presented.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California
October 13, 2021

CPAs & BUSINESS ADVISORS

October 13, 2021

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

We have audited the financial statements of College of the Desert Foundation (the Foundation) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 13, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated March 2, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note 1 to the financial statements. As described in Note 1, the Foundation implemented the provisions of Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (*ASU 2018-08) applicable to contributions made. The adoption of ASU 2018-08 did not have a significant impact on the Foundation's statement of financial position, results of its activities, or cash flows. Also described in Note 1, the Foundation implemented the provisions of ASU 2018-13, *Fair Value Measurement* (ASU 2018-13). The adoption of ASU 2018-13 did not have a significant impact on the Foundation's statement of financial position, results of its activities, cash flows, or disclosures. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Foundation's financial statements relate to revenue recognition as described in Note 1 and fair value estimates of financial assets as described in Note 7 based on the observable and/or the unobservable inputs when measuring the fair value.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements or reversals of prior year uncorrected misstatements as of and for the year ended June 30, 2020.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Overstatement of net assets with donor restriction	$152,455

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 13, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California