BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

As of and For

YEAR ENDED MARCH 31, 2024

MILLER CPA GROUP, P.C.
AN AUDITING AND CONSULTING FIRM

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2024

MILLER CPA GROUP, P.C.
AN AUDITING AND CONSULTING FIRM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Borrego Valley Endowment Fund, Inc.
and Affiliated Supporting Organization

Opinion

We have audited the accompanying consolidated financial statements of Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization (California nonprofit organizations), which comprise the consolidated statement of financial position as of March 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization as of March 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit Opinion of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization'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 Borrego Valley Endowment Fund, Inc. and Affiliated Supporting Organization'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.

Miller CPA Group, P.C.

Vista, California
September 19, 2024

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2024

Assets	
Current Assets	
Cash	$ 235,703
Accounts receivable	16,843
Rents receivable	4,244
Other receivable	1,039
Prepaid expenses	5,338
Operating lease right-of-use assets	265,855
Total Current Assets	529,022
Noncurrent Assets	
Investments	9,809,370
Property and equipment, net of accumulated depreciation	2,406,406
Total Assets	$ 12,744,798
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 23,963
Prepaid rent	1,048
Operating lease liabilities, current	55,599
Total Current Liabiliries	80,610
Noncurrent Liabilities	
Operating lease liabilities, long term	210,256
Tenant security deposits	13,201
Total Liabilities	304,067
Net Assets	
Without donor restrictions	3,328,422
With donor restrictions	9,112,309
Total Net Assets	12,440,731
Total Liabilities and Net Assets	$ 12,744,798

See accompanying independent auditors' report and notes to the combined financial statements

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2024

NET ASSETS WITHOUT DONOR RESTRICTION	
Support and Revenue	
Contributions	$ 165,075
Contributed nonfinancial assets	2,450,000
Investment income, net of fees	30,869
Interest income	591
Resale Store	224,185
Rental income	130,671
Other income	25,931
Net assets released from restriction	400,000
Total Support and Revenue	3,427,322
Expenses	
Program services	
Grants	306,151
Other program service expenses	114,894
Total Program Expenses	421,045
Supporting services	
Resale store	199,618
Management and general	164,880
Fundraising	3,476
Total Expenses	789,019
Change in Net Assets Without Donor Restriction	2,638,303
NET ASSETS WITH DONOR RESTRICTION	
Investment income, net of fees	1,306,949
Net assets released from restriction	(400,000)
Change in Net Assets With Donor Restriction	906,949
Net Assets, Beginning	8,895,479
Net Assets, Ending	$ 12,440,731

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2024

	Program Services	Resale Store	Management and General	Fundraising	Total
Grants	$ 306,151	$ -	$ -	$ -	$ 306,151
Salaries and wages	69,938	117,782	16,918	-	204,638
Payroll taxes	5,350	9,897	1,923	-	17,170
Employee benefits	-	3,843	933	-	4,776
Professional fees	16,565	-	63,758	-	80,323
Advertising and marketing	537	2,612	1,833	-	4,982
Office expenses	2,444	8,409	10,178	-	21,031
Information technology	-	-	1,777	-	1,777
Occupancy	18,854	57,075	23,296	-	99,225
Depreciation	-	-	43,594	-	43,594
Insurance	1,206	-	10,303	-	11,509
Other expenses	-	-	2,867	3,476	6,343
Total Expenses	$ 421,045	$ 199,618	$ 177,380	$ 3,476	$ 801,519

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2024

Cash Flows From Operating Activities	
Change in net assets	$ 3,545,252
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	43,594
Contributed nonfinancial asset	(2,450,000)
Realized and unrealized gain on investment	(1,128,137)
Changes in operating assets and liabilities	
Accounts receivable	(16,843)
Rents receivable	(4,244)
Other receivables	(1,039)
Prepaid expenses	(5,338)
Accounts payable and accrued expenses	(7,370)
Prepaid rent	1,048
Operating lease obligation	(22,038)
Net Cash Used by Operating Activities	(45,115)
Cash Flows From Investing Activities	
Purchases of investments	(3,416,118)
Proceeds from sale of investments	3,508,154
Net Cash Provided By Investing Activities	92,036
Net Change in Cash	46,921
Cash, Beginning	188,782
Cash, Ending	$ 235,703

Supplemental Disclosure of Cash Flow Information
During the year ended March 31, 2024, the Organization capitalized right-of-use assets in exchange for operating lease obligations in the amount of $296,586.

NOTE 1. FUND

The Borrego Valley Endowment Fund, Inc. (BVEF), founded in 1994, is a California nonprofit public benefit corporation dedicated to facilitating philanthropy in Borrego Springs and the surrounding areas.

BVEF was spun out of the Borrego Community Health Foundation. Its name at that time was the Borrego Community Health Society and its mission was to serve as the fundraising partner of its parent corporation, the Borrego Community Health Foundation.

In 2015, the Borrego Community Health Society amended its Articles of Incorporation and became the Borrego Valley Endowment Fund. BVEF remained a public benefit, nonprofit corporation, but its mission expanded beyond just healthcare. Its new mission is to harness the power of philanthropy to create enduring, community-wide benefit for the Borrego region. As such, BVEF has broadened its efforts to facilitate philanthropy into focus areas that are of critical importance to the community, including programs for Air Quality Monitoring, protecting Biodiversity, supporting Children and Education, promoting Community Resource Development and Governance, facilitating Healthcare, promoting access to affordable Water, and supporting our Senior population.

Principles of Consolidation

The consolidated financial statements have been prepared by consolidating the Borrego Valley Endowment Fund, Inc. and the following affiliated supporting organization (collectively, the Fund):

Borrego Community Development Corporation (BCDC) was created in 2023 and BVEF was named the sole member. BCDC was formed with the specific purpose of operating as a supporting organization of BVEF through activities that benefit the greater Borrego Springs, California area and enhance the quality of life in the region, including (i) promotion of a diverse and vibrant economy by facilitating and supporting investment, local businesses, and local entrepreneurship, and (ii) support of the establishment and operation of civic and social programs that address the needs of families, senior citizens, youth, and disadvantaged individuals so that all can fully participate in the Borrego Springs economy.

BCDC is a separate legal entity established under the provisions of Section 509(a)(3) of the Internal Revenue Code (IRC) and is a Type I supporting organization. As defined by the Internal Revenue Service, a Type I supporting organization is controlled by BVEF through operation, supervision, or control by appointing the majority of the supporting organization's board members.

All material inter-organization balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statement Presentation

The consolidated financial statements of the Fund have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations (the Guide).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Financial Statement Presentation (continued)

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. The Fund's board may designate assets without restrictions for specific operational purposes from time to time.

- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income, gains and losses, and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restrictions or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Fund's ongoing services and investment income earned. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurement

The Fund follows the provisions of ASC 820, Fair Value Measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

ASC 820 establishes a three-level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

> Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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, or inputs that are derived principally from or corroborated by observable market data.
>
> Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In addition, the Fund's ability to redeem its interest at or near the date of the statement of financial position is also considered. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Accounting Pronouncements Recently Adopted

Accounting Standards Update (ASU) 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, Leases (ASC Topic 842) to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Recently Adopted (continued)

Accounting Standards Update (ASU) 2016-02, Leases (continued)

The Fund determines if an arrangement contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Fund obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Fund also considers whether its service arrangements include the right to control the use of an asset.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of the index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Fund adopted ASU-2016-02 effective April 1, 2023. Under ASU 2016-02, the Fund has elected to implement the certain practical expedients as follows:

- The accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Fund, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

- The short-term lease exception in which lessees may elect to not apply the lease accounting guidance for short-term leases. A short-term lease is a lease that, at the commencement date, has a lease term of twelve months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

- The accounting policy election for all leases, which permits a non-public business entity lessee to use a risk-free discount rate for the lease, determined using a periodic comparable with that of the lease term.

Accounting Standards Update 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (ASC Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. An NFP will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Recently Adopted (continued)

Accounting Standards Update 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (continued)

The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. An NFP will be required to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and additional information for each category of contributed nonfinancial assets. The Fund adopted ASU 2020-07 effective April 1, 2023.

Accounting Standards Update 2016-13: Financial Instruments – Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (ASC Topic 326) that provides guidance on how to measure and report credit losses for financial instruments. The Fund adopted ASU 2016-13 effective April 1, 2023. This new standard replaces the previously incurred loss impairment model with an expected credit loss model for financial instruments.

The adoption of the CECL model impacts the account receivables category of financial instruments within the Fund. The current expected credit loss (CECL) model requires an organization to recognize an allowance for expected credit losses on financial instruments, including receivables, debt securities held-to-maturity, and other financial assets measured at amortized cost, from the time they are first added to the balance sheet. This approach reflects credit losses expected over the life of the asset, based on historical experience, current conditions, and reasonable and supportable forecasts. To measure expected credit losses, the Fund uses historical collection rates, adjusted for current conditions, and reasonable and supportable future economic forecasts. the Fund has selected a methodology that matches the complexity and nature of its financial assets.

The adoption of the CECL standard did not result in an impact to the consolidated financial statements and did not require an adjustment to balance of net assets without donor restrictions at the beginning of the fiscal year.

The estimates and assumptions used to calculate expected credit losses are forward-looking and could change over time as new information becomes available. The Fund will continue to evaluate the impact of economic and operational factors on the expected credit losses and adjust the allowance as necessary. The effect will largely depend on the composition of the Fund financial assets subject to CECL and the economic conditions in future years.

Cash and Cash Equivalents

Cash and Cash Equivalents - Cash and cash equivalents consist of cash in bank accounts and highly liquid investments with maturities of three months or less at date of acquisition. Cash and cash equivalents on deposit with brokers or in investment pools are considered to be investments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivables

Accounts receivables consist of solar electricity charges allocated to tenants. It is the policy of management to review the receivables at year-end, as well as any write-offs experienced in the past, and establish an allowance for expected credit losses.

Credit losses are based on historical experience and management's evaluation of outstanding receivables. No allowance was considered necessary for the year ended March 31, 2024, as management determined all receivables were collectable.

Investments

The Fund accounts for investments in accordance with FASB ASC 958-320, Accounting for Certain Investments Held By Not-for-Profit Organizations. This standard requires that investments with readily determinable fair value be measured at fair value in the consolidated statement of financial position. In managing its endowment, financial objectives are achieved through a diversified investment portfolio and disciplined spending policies.

Investments are carried at fair market value in the consolidated statement of financial position. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in net assets without donor restriction unless restricted by donor or law. Investment return on net assets with donor restriction is reported as an increase in net assets without donor restriction if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment returns are reported as an increase in net assets with donor restriction, depending on the nature of the restriction.

Endowments

The Fund records endowments in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. The standard requires additional disclosures about an organization's endowment funds (both donor-restricted and board designated endowment funds), whether or not the organization is subject to UPMIFA. The standard also requires classifying the portion of a donor-restricted endowment that is not classified as restricted in perpetuity as subject to time restriction until appropriated for expenditure.

Property and Equipment

The Fund capitalizes all expenditures in excess of $5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Fund reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Fund reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance, repairs, and minor renewals are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Impairment of Assets

Accounting principles generally accepted in the United States of America (GAAP) require that long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. There was no impairment loss recognized during the year ended March 31, 2024.

Leases

The Fund determines if an arrangement contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Fund also considers whether its service arrangements include the right to control the use of an asset.

The Fund’s right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the Fund’s obligation to make lease payments arising from the leases. The lease commencement date is when the asset is available for use and in possession of the Fund. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Fund recognizes payments for certain leases as expense when incurred including short-term leases with a lease term of 12 months or less and leases with future lease payments that are not considered material to the consolidated financial statements. These leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of the index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. For lease agreements entered into or modified after the adoption of ASC 842, lease and non-lease components are combined.

Finance lease assets (previously referred to as a capital lease before the adoption of ASU 2016-02 are depreciated on a straight-line basis over the lease term and is reported net on the statement of financial position. Interest expense associated with finance leases is recorded based on the incremental borrowing rate.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue from Contracts with Customers

The Fund recognizes revenue in accordance with ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606). Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Fund generally measures revenue based on the amount of consideration the Fund expects to be entitled for the transfer of goods to a customer, then recognizes this revenue when the Fund satisfies its performance obligations.

The Fund evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

The Fund has determined that thrift shop sales, represent exchange transactions that must be recognized under ASC 606. The Fund recognizes thrift shop sales at a point in time when the sale occurs and there is a transfer of goods to the customer. The Fund has no further performance obligations related to sales and there are no additional services required by the Fund.

Contributions and Support

The Fund recognizes revenue from contributions in accordance with ASU 2018-08, Not-For-Profit Entities (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In accordance with Topic 958, the Fund evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution.

If the transfer of assets is determined to be an exchange transaction, the Fund applies guidance under Topic 606, discussed above. If the transfer of assets is determined to be a contribution, the Fund evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Fund is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributed revenue may include gifts of cash or promises to give. Contributions are recognized as revenues in the period received or promised and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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 statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized at the estimated present value of future cash flows, discounted at a risk adjusted rate. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior giving history, type of contribution, collection risk, and nature of fund-raising activity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Support (continued)

Conditional promises to give are recognized when the conditions (e.g., barriers) on which they depend are substantially met. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

Contributed Nonfinancial Assets

Contributed nonfinancial assets (in-kind) are recorded as support in the statements of activities. Such contributions are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Fund's policy is to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with the Fund's mission. In those instances, the assets would be monetized.

Contributed Services

The Fund utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Fund with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Some members of the Fund have also donated significant amounts of time to the Fund in furthering its programs and objectives. However, no amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Grants

Grants are approved by the Board of Directors of the Fund in accordance with the Fund's bylaws and operating guidelines. Unconditional grants and distributions are recorded in the consolidated financial statements when approved and communicated to the grantee. Grants approved by the Board of Directors that are payable upon the performance of specified conditions by the grantee are not reflected in grants payable in the consolidated financial statements until those conditions are satisfied. Grant expense is recognized in future periods as the performance of specified conditions are satisfied.

Functional Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses are allocated based on time and effort and usage.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses (continued)

Expense Allocation Process

Program: Costs that result in the Fund fulfilling its mission.
Management: Costs necessary for the operations of the Fund that are not identifiable with a specific program or fundraising.
Fundraising: Costs that involve seeking, soliciting, or securing contributions.

This allocation process achieves a complete distribution of expenses to program areas and provides the Fund with an accurate understanding of true program costs.

Income Taxes

BVEF and BCDC are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Fund has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Fund's exempt purpose is subject to tax under IRC Section 511. BVEF and BCDC did not have any unrelated business income for the year ended March 31, 2024, and, therefore, no provision for income taxes has been made.

BVEF and BCDC follow the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. BVEF and BCDC recognize accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. BVEF and BCDC believe that no significant uncertain tax positions have been taken for the year ended March 31, 2024. Management believes BVEF is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to March 31, 2020.

Advertising

The Fund expenses the cost of advertising as incurred. There were advertising expenses were $4,982 for the year ended March 31, 2024.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Fund's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statements of financial position are as follows as of March 31:

	2024
Cash	$ 235,703
Investments	9,809,370
Total financial assets	10,045,073
Less amounts not available to be used within one year:	
Donor-advised funds	415,543
Donor-restricted endowment funds	9,112,309
Financial assets available to meet cash needs for general expenditures over the next twelve months	$ 517,221

As part of the Fund's liquidity management strategy, the Fund structures its financial assets to be available as its grant payments and other general liabilities come due.

NOTE 4. CONCENTRATION OF CREDIT RISK

Cash

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist principally of cash. The Fund maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. As of March 31, 2024, no balance exceeded federally insured limits.

Risks and Uncertainties

The Fund is invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Fund's investments consist of mutual funds and government debt securities and are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Fair values of the Fund's investments measured on a recurring basis are as follows as of March 31, 2024:

Asset Category		Fair Market Value
Cash	$	24,110
Money Market Funds		112,289
Mutual Funds - Bonds		
Intermediate		1,066,635
Multisector		449,379
Mid-Cap Blend		670,323
Large Blend		1,673,936
Large Growth		362,255
Event Driven		3,294,257
High Yield Bond		426,889
Diversified Emerging Mkts		342,069
Ultrashort		179,600
Consumer Defensive		350,284
Short Term		543,082
Government Debt Securities		
Treasury Notes		314,262
Total	$	9,809,370

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2024:

Buildings	$	2,325,000
Less: accumulated depreciation		(43,594)
		2,281,406
Land		125,000
	$	2,406,406

Depreciation expense was $43,594 for the year ended March 31, 2024.

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of March 31, 2024:

		2024
Accounts payable	$	6,162
Accrued expenses		5,951
Accrued payroll expenses		5,411
Sales tax payable		6,439
Total accounts payable and accrued expenses	$	23,963

NOTE 8. LEASES

Operating Leases

The Fund has operating leases for office space and a resale store in Borrego Springs that expire in various years through 2029. The adoption of ASU 842 required an evaluation of the agreement to determine an appropriate lease term effective April 1, 2022. The Fund determined that a five-year term was appropriate for these operating leases. Combined base monthly rental payments are $4,946 as of March 31, 2024. Lease expense is recognized on a straight-line basis over the lease term. The resale store has an escalated payment schedule. The lease agreement does not contain any material residual value guarantees. Total rent expense for the year ending March 31, 2024 was $58,337.

Future minimum payments required under operating leases, and other commitments are as follows:

Year Ending March 31,		Amount
2025	$	59,663
2026		60,915
2027		61,397
2028		53,912
2029		40,551
Total minimum lease payments		276,438
Less: amounts representing interest		(10,583)
Total present value of lease liability	$	265,855

NOTE 8. LEASES (continued)

Supplemental consolidated statement of financial position information related to leases is as follows for the year ended March 31, 2024:

Operating lease, right-of-use asset	$	296,586
Less: accumulated amortization		(30,731)
	$	265,855

Weighted average remaining lease term:	3.84 years
Weighted average discount rate:	1.72%

Right-of-use operating lease cost was $22,676 for the year ended March 31, 2024 and is included with occupancy expenses in consolidated statement of functional expenses.

NOTE 9. CONTRIBUTED NONFINANCIAL ASSETS

Revenue from contributions of nonfinancial assets recognized within the consolidated statement of activities is as follows for the year ended March 31, 2024:

Nonfinancial Asset	2024	Usage in programs/ activities	Donor imposed restrictions	Fair value techniques and inputs
Building and land	$2,450,000	Supporting Organization	None	Appraisal

NOTE 10. NET ASSETS

Net assets without donor restrictions consist of the following as of March 31, 2024:

		2024
Donor advised funds	$	415,543
Undesignated		2,934,083
	$	3,349,626

Donor advised funds are donations received by the Fund over which the donor has reserved the right to periodically submit recommendations regarding distribution.

NOTE 11. ENDOWMENT

As of March 31, 2024, the Fund's endowment consists of funds established for health care in the Borrego Valley community. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 11. ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted the California Uniform Prudent Management of Institutional Funds Act (CAUPMIFA) to allow the board to define prudent spending from donor-restricted endowment funds absent explicit donor instruction. For accounting purposes, the Fund classifies donor-restricted gift amounts required to be maintained in perpetuity held by each Fund as:

- The original value of gifts donated to the Fund
- The original value of the funds transferred to the Fund
- The original value of subsequent gifts donated to the Fund

The remaining portion of the donor-restricted endowment fund that is not classified as endowment funds restricted in perpetuity is classified as accumulated undistributed endowment gains until those amounts are appropriated for expenditure.

From time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Fund to retain as a fund of perpetual duration. The Fund considers its endowment to be underwater if the fair value is less than the sum of (1) the original value of the initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor restriction. The Fund has no underwater endowment funds as of March 31, 2024.

Spending Policy

The Fund has adopted a spending policy designated specifically to stabilize annual spending levels and give careful consideration of California's UPMIFA regulations and include such factors as preservation of the fund, general economic conditions, inflation or deflation, the expected total return from income and the appreciation of investments. The policy applies to all endowment funds, unless the donor has expressed a different intent in writing.

The spending policy and philosophy contained in the Fund's Investment Policies and Procedures, including the long-term investment management policies and procedures constructed based on the by-laws, were designed to function as integrated processes and are administered to reflect the following factors, as described in CAUPMIFA, for prudent stewards of charitable assets, including:

1. The duration and preservation of a fund;
2. The purpose of the organization and the donor designations thereto;
3. General economic conditions;
4. The possible effects of inflation and deflation;
5. The expected total return of the charitable assets;
6. Other resources of the organization; and
7. Investment policies.

NOTE 11. ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Fund has adopted investment and spending policies for endowment assets that seek to produce the maximum total return (net income plus appreciation) consistent with prudent management and preservation of purchasing power (preservation of principal adjusted for inflation); provide a consistent or increasing level of support on an inflation-adjusted basis over the long term; and maintain intergenerational equity between the current generation and future generations of beneficiaries.

Endowment composition consists of the following as of March 31, 2024:

		With Donor Restrictions
Donor-restricted endowment funds:		
Corpus	$	5,805,616
Accumulated endowment earnings		3,306,693
	$	9,112,309

The following summarizes endowment related activities for the year ended March 31, 2024: Changes in endowment net assets for the year ended March 31, 2024 are as follows:

		With Donor Restrictions
Endowment net assets, beginning	$	8,205,360
Investment gain, net of expenses		1,306,949
Appropriated for expenditure		(400,000)
Endowment net assets, ending	$	9,112,309

NOTE 12. RELATED PARTY TRANSACTIONS

Members of the Fund's Board of Directors may, from time to time, be associated, either directly or indirectly, with companies doing business with the Fund. The Fund requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the Fund. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the Fund.

The Fund has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors participates in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Fund, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 19, 2024, which corresponds to the date when the consolidated financial statements were issued.

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
March 31, 2024

	BVEF	BCDC	Eliminating Entries	Total
Assets				
Current Assets				
Cash	$ 112,278	$ 123,425	$ -	$ 235,703
Accounts receivable	-	16,843	-	16,843
Rents receivable	-	4,244	-	4,244
Other receivable	1,039	-	-	1,039
Due from affiliated organization	15,654	-	(15,654)	-
Prepaid expenses	-	5,338	-	5,338
Operating lease right-of-use assets	265,855	-	-	265,855
Total Current Assets	394,826	149,850	(15,654)	529,022
Noncurrent Assets				
Investments	9,809,370	-	-	9,809,370
Property and equipment, net of accumulated depreciation	-	2,406,406	-	2,406,406
Total Assets	$ 10,204,196	$ 2,556,256	$ (15,654)	$ 12,744,798
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$ 11,415	$ 12,548	$ -	$ 23,963
Due to affiliated organization	-	15,654	(15,654)	-
Prepaid rent	-	1,048	-	1,048
Operating lease liabilities, current	55,599	-	-	55,599
Total Current Liabiliries	67,014	29,250	(15,654)	80,610
Noncurrent Liabilities				
Operating lease liabilities, long term	210,256	-	-	210,256
Tenant security deposits	-	13,201	-	13,201
Total Liabilities	277,270	42,451	(15,654)	304,067
Net Assets				
Without donor restrictions	814,617	2,513,805	-	3,328,422
With donor restrictions	9,112,309	-	-	9,112,309
Total Net Assets	9,926,926	2,513,805	-	12,440,731
Total Liabilities and Net Assets	$ 10,204,196	$ 2,556,256	$ (15,654)	$ 12,744,798

BORREGO VALLEY ENDOWMENT FUND, INC.
AND AFFILIATED SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2024

	BVEF	BCDC	Eliminating Entries	Total
NET ASSETS WITHOUT DONOR RESTRICTION				
Support and Revenue				
Contributions	$ 135,075	$ 30,000	$ -	$ 165,075
Contributed nonfinancial assets	-	2,450,000	-	2,450,000
Investment income, net of fees	30,869	-	-	30,869
Interest income	433	158	-	591
Resale Store	224,185	-	-	224,185
Rental income	-	130,671	-	130,671
Other income	16,656	21,775	(12,500)	25,931
Net assets released from restriction	400,000	-	-	400,000
Total Support and Revenue	807,218	2,632,604	(12,500)	3,427,322
Expenses				
Program services				
Grants	306,151	-	-	306,151
Other program service expenses	114,894	-	-	114,894
Total Program Expenses	421,045	-	-	421,045
				-
Supporting services				
Resale store	199,618	-	-	199,618
Management and general	66,914	110,466	(12,500)	164,880
Fundraising	3,476	-	-	3,476
Total Expenses	691,053	110,466	(12,500)	789,019
Change in Net Assets Without Donor Restriction	116,165	2,522,138	-	2,638,303
NET ASSETS WITH DONOR RESTRICTION				
Investment income, net of fees	1,306,949	-	-	1,306,949
Net assets released from restriction	(400,000)	-	-	(400,000)
Change in Net Assets With Donor Restriction	906,949	-	-	906,949
Net Assets, Beginning	8,903,812	(8,333)	-	8,895,479
Net Assets, Ending	$ 9,926,926	$ 2,513,805	$ -	$ 12,440,731