

**ORANGE COAST COLLEGE FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2010**

**ORANGE COAST COLLEGE FOUNDATION**

**AUDIT REPORT**

**June 30, 2010**

**CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>FINANCIAL STATEMENTS:</b>	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Cash Flows .....	4
Statement of Functional Expenses .....	5
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	6-14



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Orange Coast College Foundation  
2701 Fairview Road  
Costa Mesa, California 92626

We have audited the accompanying statement of financial position of the Orange Coast College Foundation (A Component Unit of the Coast Community College District) as of June 30, 2010, and the related statements of activities, cash flows and functional expenses for the fiscal year then ended. These financial statements are the responsibility of the Orange Coast College Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange Coast College Foundation as of June 30, 2010, and the changes in its net assets and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 29, 2010

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

Cash and cash equivalents	\$ 77,875
Accounts receivable	2,891
Prepaid expense	25,000
Beneficial interest in charitable gift annuity	36,136
Investments, at fair value	10,031,628
Capital assets, net of accumulated depreciation	<u>3,279,876</u>

Total assets \$ 13,453,406

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 32,586
Charter deposits	19,000
Due to Coast Community College District	121,938
Deferred revenue	<u>10,105</u>

Total liabilities 183,629

Net Assets:

Unrestricted	165,176
Temporarily restricted	<u>13,104,601</u>

Total net assets 13,269,777

Total liabilities and net assets \$ 13,453,406

See the accompanying notes to the financial statements.

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Support:			
Contributions	\$ 41,695	\$ 1,756,041	\$ 1,797,736
Special events		50,455	50,455
Donated assets		1,774,102	1,774,102
Donated services	648,491		648,491
Donated facilities	1,658		1,658
	<u>691,844</u>	<u>3,580,598</u>	<u>4,272,442</u>
 Total support			
Revenue:			
Loss on sale of donated fixed assets (Note 5)		(789,270)	(789,270)
Sales	1,375	83,531	84,906
Investment income, net of expense	3,121	218,182	221,303
Realized loss on investments	(5,910)	(477,999)	(483,909)
Unrealized gain on investments	18,220	959,936	978,156
Charter fees		208,525	208,525
Miscellaneous fees	96,988	59,489	156,477
	<u>113,794</u>	<u>262,394</u>	<u>376,188</u>
 Total revenue			
Total support and revenue before net assets released from restrictions	805,638	3,842,992	4,648,630
Net assets released from restrictions	<u>4,275,499</u>	<u>(4,275,499)</u>	<u>-</u>
Total support and revenue	<u>5,081,137</u>	<u>(432,507)</u>	<u>4,648,630</u>
 <b>Expenses</b>			
Program services	4,624,050		4,624,050
Supporting services:			
Management and general	415,683		415,683
Fundraising	154,738		154,738
	<u>5,194,471</u>	<u>-</u>	<u>5,194,471</u>
Total expenses			
Change in net assets	(113,334)	(432,507)	(545,841)
 <b>Net assets</b>			
Beginning of year	278,510	13,537,108	13,815,618
End of year	<u>\$ 165,176</u>	<u>\$ 13,104,601</u>	<u>\$ 13,269,777</u>

See the accompanying notes to the financial statements.

# ORANGE COAST COLLEGE FOUNDATION

## STATEMENT OF CASH FLOWS For the Fiscal Year Ended June 30, 2010

<b>Cash flows from operating activities:</b>	
Cash received from contributions and special events	\$ 1,848,191
Cash received from interest	221,303
Cash received from operations	468,908
Cash paid for operating expenditures	(3,205,402)
Cash paid to students	<u>(856,681)</u>
Net cash used by operating activities	<u>(1,523,681)</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of vessels	1,194,356
Purchase of investments	(517,211)
Proceeds from sale of investments	<u>850,000</u>
Net cash provided by investing activities	<u>1,527,145</u>
Net increase in cash and cash equivalents	3,464
Cash and cash equivalents, July 1, 2009	<u>74,411</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 77,875</u>
<b>Reconciliation of change in net assets to cash used by operating activities</b>	
Change in net assets	\$ (545,841)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net realized and unrealized gain on investments	(494,247)
Non-cash contributions received	(1,774,102)
Loss on sale of donated items	789,270
Depreciation expense	422,324
Changes in assets and liabilities:	
Decrease in accounts payable	(5,998)
Increase in Due to Coast CCD	65,913
Increase in charter deposits	<u>19,000</u>
Net cash used by operating activities	<u>\$ (1,523,681)</u>

See the accompanying notes to the financial statements.

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated services	\$ 233,457	\$ 278,851	\$ 136,183	\$ 648,491
Donated facilities		1,658		1,658
Scholarship payments	856,681			856,681
Advertising	7,483		609	8,092
Office expenses	99,369	2,042		101,411
Rent expense	2,600			2,600
Travel and conferences	86,379			86,379
Depreciation	422,324			422,324
College and student assistance	798,978	29,243		828,221
Professional fees	103,325			103,325
Repair and maintenance	148,864			148,864
Ceremonies and events	4,659		17,946	22,605
Public relations	1,500			1,500
Taxes	8,636	204		8,840
Service charge	81,927			81,927
Dues and memberships	3,681			3,681
General operating expenses	1,764,187	103,685		1,867,872
	<u>\$ 4,624,050</u>	<u>\$ 415,683</u>	<u>\$ 154,738</u>	<u>\$ 5,194,471</u>

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. ORGANIZATION:

The Orange Coast College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Corporation Law of the State of California. The Foundation was incorporated on August 7, 1984 with the express purpose of promoting and assisting the educational programs of Orange Coast College (the College) in accordance with the mission, policies and priorities of the College as administered by its President. The Foundation conducts its operations in conformity with general regulations established by the Coast Community College District (the District) as required by the Education Code Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community. The Foundation maintains boats, many of which were donated, to use in the educational programs at the College.

B. METHOD OF ACCOUNTING:

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of equity and transactions into three classes of net assets - unrestricted, temporarily restricted or permanently restricted, as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Currently, the Foundation has no permanently restricted net assets.



ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**B. METHOD OF ACCOUNTING: (continued)**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. At June 30, 2010, there were no material unconditional promises to give; therefore, pledges receivable have not been accrued in these financial statements. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

**C. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents are defined as cash in bank, certificates of deposit and highly liquid securities purchased with a maturity of three months or less.

**D. INVESTMENTS:**

Investments are recorded at fair value based on quoted market values.

**E. DONATED PROPERTY AND EQUIPMENT:**

Donated property and equipment are reflected as contributions in the accompanying statements at their estimated value at date of donation. For donated items with estimated values of \$5,000 or higher an appraisal is provided by the donor. This appraised value is the basis for the value recognized for the in-kind contribution.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**F. TAX STATUS:**

The Foundation qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701d.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not (>50%) be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational return in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2005.

**G. 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 period. Accordingly, actual results could differ from those estimates.

**H. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash, accounts receivable, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

**I. CONCENTRATIONS OF CREDIT RISK:**

Financial instruments which subject the Foundation to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments, equity holdings of domestic and foreign corporations; and mutual funds which invest primarily in short-term government securities. The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000.

**J. REPORTING ENTITY:**

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units.

**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**J. REPORTING ENTITY: (continued)**

A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely, or almost entirely, for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the Foundation has been identified as a component unit and has been included in the District's reporting entity.

**K. SUBSEQUENT EVENTS:**

The Foundation has evaluated subsequent events through November 29, 2010, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2010.

**NOTE 2 - BENEFICIAL INTEREST IN CHARITABLE GIFT ANNUITY:**

The Foundation received a donation in the form of a charitable gift annuity. The residual portion of this donation in the amount of \$36,136 has been recorded as a contribution. Any portion of the annuity remaining at the death of the donor will be recognized as an additional contribution at that time. The annuity is being administered by the Community College League of California for the benefit of the Foundation. The gift is given to benefit the academic missions and programs of the College to be allocated at the discretion of the college president and is included in temporarily restricted net assets at June 30, 2010.

**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 3 - INVESTMENTS:**

Investments are recorded at cost at date of acquisition or fair value at date of donation. As of June 30, 2010 the investments are reported at fair value.

Cost and fair values at June 30, 2010, are as follows:

<u>Level 1</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Net Gain/(Loss)</u>
Money market	\$ 797,093	\$ 797,135	\$ 42
Fixed income	3,003,838	3,062,990	59,152
Marketable equity	5,388,031	4,919,696	(468,335)
Index funds and notes	<u>1,365,275</u>	<u>1,251,807</u>	<u>(113,468)</u>
Total	<u>\$ 10,554,237</u>	<u>\$ 10,031,628</u>	<u>\$ (522,609)</u>

Investment return for the year ended June 30, 2010 was as follows:

Investment income, net of expense of \$67,913	\$ 221,303
Net realized loss	(483,909)
Net unrealized gain	<u>978,156</u>
Total	<u>\$ 715,550</u>

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

- Level 1 - quoted prices in an active market for identical assets.
- Level 2 - quoted prices for similar assets and market-corroborated inputs.
- Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 4 - FIXED ASSETS:**

The Foundation capitalizes all expenditures in excess of \$5,000 for property and equipment and records them at cost when acquired or fair value at time of donation. Assets are depreciated using the straight-line method over their estimated useful lives, which range from four to twenty-five years. Fixed assets at June 30, 2010 consisted of the following:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Capital assets				
Nondepreciable:				
Land	\$ 10,000	\$	\$	\$ 10,000
Assets held for sale	249,443	437,128	(435,215)	251,356
Depreciable:				
Boats	<u>5,454,699</u>	<u>1,693,500</u>	<u>(2,589,150)</u>	<u>4,559,049</u>
Total cost and donated assets	<u>5,714,142</u>	<u>2,130,628</u>	<u>(3,024,365)</u>	<u>4,820,405</u>
Accumulated depreciation				
Boats	<u>(1,910,649)</u>	<u>(422,324)</u>	<u>792,444</u>	<u>(1,540,529)</u>
Total accumulated depreciation	<u>(1,910,649)</u>	<u>(422,324)</u>	<u>792,444</u>	<u>(1,540,529)</u>
Net capital assets	<u>\$ 3,803,493</u>	<u>\$ 1,708,304</u>	<u>\$ (2,231,921)</u>	<u>\$ 3,279,876</u>

The costs of certain California Department of Boating and Waterways (DBW) owned vessels, which are used by the Foundation in connection with the College's educational programs, are not reflected in the statement of financial position because asset titles remain with the DBW.

**NOTE 5 - SALE OF DONATED FIXED ASSETS:**

The Foundation records donated assets at their fair value on the date of the donation. For donated items used for instructional purposes, these items are recognized as fixed assets and depreciated as described in Note 4. Upon the disposal or sale of the fixed assets, the Foundation recognizes either a gain or loss from the disposal or sale of the donated assets. Sale of donated fixed assets for the fiscal year ended June 30, 2010 included the following:

	<u>Net Proceeds from Sale</u>	<u>Less Net Value*</u>	<u>Net Loss on Sale</u>
Boats and Marine Equipment	<u>\$ 1,194,356</u>	<u>\$ 1,983,626</u>	<u>\$ (789,270)</u>

\*Net value is the original donated value less accumulated depreciation.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 6 - RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES:**

Temporary restricted net assets consist of the following at June 30, 2010:

Scholarships and grants	\$ 3,008,290
College and student assistance	8,277,924
Sailing program	1,618,563
Charitable gift annuity held by trustee	36,136
Capital projects:	
Art pavilion	23,286
Baseball field house	<u>140,402</u>
Total	<u>\$ 13,104,601</u>

**NOTE 7 - GREENLEAF EDUCATIONAL FUND:**

In 1975, the Foundation became a beneficiary of a one-half interest in the estate of Hazel Cubbon Greenleaf. The will established the Hazel Cubbon Greenleaf Educational Fund (the trust) with one-half of the assets in the estate. During the fiscal year, the Foundation received investment income of approximately \$23,000 from this trust. At June 30, 2010, the Foundation's share of the trust's fair value was approximately \$434,000. The Foundation will not receive its share of the trust assets until the last heir to the estate passes away. The donation will be recognized at that time.

**NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets of \$4,275,499 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.



ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE 9 - RELATED PARTIES:**

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College. The Foundation receives gifts, property and funds to be used for the benefit of the College, its programs, and any person or organization having an official relationship with the College.

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, administrative assistants and accountants. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services and facilities for the fiscal year 2010 were \$648,491 and \$1,658, respectively and have been reflected in the financial statements as donated services and facilities.