

**ORANGE COAST COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**

**With Comparative Totals for the Fiscal Year Ended June 30, 2017**

**and**

**Independent Auditors' Report**

**ORANGE COAST COLLEGE FOUNDATION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Orange Coast College Foundation (the Foundation), a component unit of the Coast Community College District, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the year 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.

### **Auditors' Responsibility**

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 involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors  
Orange Coast College Foundation

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 Orange Coast College Foundation as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Foundation's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
December 13, 2018

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

*With Comparative Totals at June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 841,610	\$ 1,489,504
Accounts receivable	2,200	700
Notes receivable - current portion	13,930	13,927
Pledges receivable	100,000	140,000
Prepaid expenses	25,000	25,000
<b>Total Current Assets</b>	<b>982,740</b>	<b>1,669,131</b>
<b>Non-Current Assets:</b>		
Notes receivable - long-term portion	-	26,854
Pledges receivable, net of discount	83,040	105,574
Receivable for split-interest agreement	438,186	479,361
Investments, at fair value	22,118,415	18,067,706
Investments held with FCCC	23,191	-
Assets held for sale	1,850	101,648
Property and equipment, net	8,933,838	7,822,166
<b>Total Non-Current Assets</b>	<b>31,598,520</b>	<b>26,603,309</b>
<b>Total Assets</b>	<b>\$ 32,581,260</b>	<b>\$ 28,272,440</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	76,004	54,960
Charter deposits	201,920	249,366
Due to Coast Community College District	75,082	94,496
<b>Total Current Liabilities</b>	<b>353,006</b>	<b>398,822</b>
<b>Net Assets:</b>		
Unrestricted	1,032,815	1,000,632
Temporarily restricted	31,195,439	26,872,986
<b>Total Net Assets</b>	<b>32,228,254</b>	<b>27,873,618</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 32,581,260</b>	<b>\$ 28,272,440</b>

See the accompanying notes to the financial statements

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and Revenue</b>				
Support				
Contributions	\$ 53,226	\$ 6,136,109	\$ 6,189,335	\$ 3,657,781
Program related sales		60,252	60,252	71,955
Management fees	121,442		121,442	87,513
Miscellaneous revenue	15,447	40,388	55,835	60,072
In-kind contributions		270,970	270,970	132,695
Donated vessels		3,886,425	3,886,425	3,678,102
Donated services	618,827		618,827	521,724
Donated facilities	1,658		1,658	1,658
<b>Total Support</b>	<u>810,600</u>	<u>10,394,144</u>	<u>11,204,744</u>	<u>8,211,500</u>
Other income, gains and losses				
Charter fees	759,081		759,081	831,688
Loss on sale of donated assets		(306,658)	(306,658)	(179,108)
Gain on sale of fixed assets			-	50,425
Investment income, net of expenses	21,930	405,121	427,051	371,430
Realized gain (loss) on investments	39,632	704,616	744,248	325,470
Unrealized gain (loss) on investments	(4,969)	344,334	339,365	1,221,820
Change in value for split-interest agreements		41,175	41,175	2,068
Change in value for investments held with FCCC		705	705	-
<b>Total Other Income, Gains, and Losses</b>	<u>815,674</u>	<u>1,189,293</u>	<u>2,004,967</u>	<u>2,623,793</u>
Total revenues before net assets released from restrictions	1,626,274	11,583,437	13,209,711	10,835,293
Net assets released from restrictions	<u>7,260,984</u>	<u>(7,260,984)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>8,887,258</u>	<u>4,322,453</u>	<u>13,209,711</u>	<u>10,835,293</u>
<b>Operating Expenses</b>				
Program services	8,274,614		8,274,614	5,487,418
Supporting services				
Management and general	450,507		450,507	380,714
Fundraising	129,954		129,954	109,562
<b>Total Expenses</b>	<u>8,855,075</u>	<u>-</u>	<u>8,855,075</u>	<u>5,977,694</u>
<b>Change in net assets</b>	32,183	4,322,453	4,354,636	4,857,599
<b>Net Assets</b>				
Beginning of year	<u>1,000,632</u>	<u>26,872,986</u>	<u>27,873,618</u>	<u>23,016,019</u>
End of year	<u>\$ 1,032,815</u>	<u>\$ 31,195,439</u>	<u>\$ 32,228,254</u>	<u>\$ 27,873,618</u>

See the accompanying notes to the financial statements

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF CASH FLOWS**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Cash flows from operating activities</b>		
Contributions and special events	\$ 6,047,425	\$ 3,393,920
Interest	427,051	371,430
Operations	875,168	963,715
Payments to/on behalf of employees	(481,769)	(291,518)
Payments to suppliers	(4,379,118)	(1,734,085)
Payments to/on behalf of students for scholarships	(702,553)	(1,042,783)
Net cash provided by operating activities	<u>1,786,204</u>	<u>1,660,679</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of boats and equipment	288,323	397,234
Acquisitions of boats and equipment	(79,800)	(22,010)
Purchase of investments	(5,417,869)	(3,883,700)
Proceeds from sale of investments	2,775,248	2,109,247
Net cash provided (used) by investing activities	<u>(2,434,098)</u>	<u>(1,399,229)</u>
Net increase (decrease) in cash and cash equivalents	(647,894)	261,450
Cash and cash equivalents, beginning of year	<u>1,489,504</u>	<u>1,228,054</u>
Cash and cash equivalents, end of year	<u>\$ 841,610</u>	<u>\$ 1,489,504</u>
<b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>		
Change in net assets	\$ 4,354,636	\$ 4,857,599
Adjustment to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation expense	2,324,554	1,866,111
Realized and unrealized (gain) on investments	(1,083,613)	(1,547,290)
Non-cash contributions and donated vessels received	(4,157,395)	(3,810,797)
Loss on sale of donated items	306,658	179,108
Gain on sale of fixed assets	-	(50,425)
Change in value for split-interest agreements	(41,175)	(2,068)
Change in value for investments held with FCCC	(705)	-
Change in assets - (increase)/decrease:		
Accounts receivable	(1,500)	1,039
Pledge receivable	62,534	(8,400)
Contribution receivable from split-interest agreement	41,175	(147,505)
Notes receivable	26,851	23,700
Change in liabilities - increase/(decrease):		
Accounts payable	21,044	(10,038)
Charter deposits	(47,446)	250,000
Due to Coast Community College District	(19,414)	59,645
Net cash provided by operating activities	<u>\$ 1,786,204</u>	<u>\$ 1,660,679</u>
<b>Non-cash investment activities include:</b>		
Equipment and vessels	\$ 4,502,672	\$ 3,678,102
Stock donations	2,580	132,695
Net non-cash investment activities	<u>\$ 4,505,252</u>	<u>\$ 3,810,797</u>

See the accompanying notes to the financial statements

**ORANGE COAST COLLEGE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSE**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

	June 30, 2018				June 30, 2017
	Program Services	Management & Services	Fundraising	Total	Total
Donated services	\$ 222,778	\$ 266,095	\$ 129,954	\$ 618,827	\$ 521,724
Donated facilities	1,658			1,658	1,658
In-kind contributions	270,970			270,970	132,695
Scholarships and grants	702,553			702,553	1,042,783
Salaries and benefits	462,355			462,355	351,163
Services - legal	943			943	-
Services - other	2,863			2,863	83,515
Advertising and promotion	17,628	1,365		18,993	8,884
Office expenses	79,546	48,479		128,025	93,136
Occupancy	82,273	1,262		83,535	217,087
Travel	57,533	2,348		59,881	52,187
Conference and meetings	11,398	3,000		14,398	3,238
Depreciation	2,324,554			2,324,554	1,866,111
Insurance	220	12,984		13,204	12,147
Equipment	1,054,831	21,563		1,076,394	629,585
Hospitality	39,790	22,831		62,621	37,854
Management fees	121,442			121,442	87,513
Bank charges and fees	8,039	995		9,034	26,874
Contract services	96,412	14,573		110,985	63,107
Program expenses	710,316	20,000		730,316	479,786
Construction, Repairs & Maint	1,911,382	2,493		1,913,875	57,781
Permit, Licenses, Taxes & Penalties	33,053	180		33,233	32,756
Subscriptions & dues	11,659	16,601		28,260	27,695
Other expenses	50,418	15,738		66,156	106,460
<b>Total</b>	<u>\$ 8,274,614</u>	<u>\$ 450,507</u>	<u>\$ 129,954</u>	<u>\$ 8,855,075</u>	<u>\$ 5,935,739</u>

See the accompanying notes to the financial statements



**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 1: 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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

These financial statements of the Foundation have been prepared on the accrual basis of accounting.

**Classification of Net Assets**

The Foundation reports information regarding its financial position and activities according to three classes of net assets 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 may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarship and educational program funds.

**Permanently restricted net assets**

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

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be all cash available for immediate use and cash held for investment. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds.

**Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are greater than \$50,000 and due in more than one year are recognized at fair value using present value discount rate of 2.25%. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of these pledges and determines the balances to be fully collectable. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

**Split-Interest Agreement**

The Foundation is the beneficiary of a charitable remainder trust. The terms and discount rates for this agreement is based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. The charitable remainder trust is administered by a third-party. Assets associated with the split-interest agreement are recognized at the present value of the estimated future benefits of the agreement.

**Property and Equipment**

Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Foundation maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend an asset's life are not capitalized.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Depreciation is computed on the straight-line basis over the estimated useful life of the assets. The estimated useful life for property and equipment is 5-10 years.

**Accounts Payable**

Accounts payable consists of amounts due to vendors, but not yet disbursed during the fiscal year.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributions**

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donations, other than cash are recorded at estimated fair value at the time of the donation.

**Management Fee**

The Foundation serves the Orange Coast College campus clubs, departments, and organizations by managing funds for scholarships and other purposes to promote education. These funds are assessed an annual management fee to cover the stewardship and administrative expenses. This fee is recognized as unrestricted income.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Comparative Totals**

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2017.

**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.

**Income Taxes**

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 or 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 be sustained upon potential audit or examination, therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns 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 for generally three and four years, respectively.

**Subsequent Events**

The Foundation has evaluated subsequent events through December 13, 2018, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2018.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 3: CONCENTRATION OF CREDIT RISK**

The Foundation manages deposit concentration risk by placing cash and money market accounts, with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation's deposits in excess of the FDIC are insured. The collateral is held by the pledging bank's trust department, not in the Foundation's name.

**Investments**

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2018 the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

**Notes receivable**

The credit risk for notes receivable is concentrated to one borrower with an acceptable credit rating. Realization of the notes receivable is dependent on various individual economic conditions. The notes receivable is secured by the vessel Torea and carried at the estimated net realizable value. As of June 30, 2018 and 2017, the Foundation had no significant concentrations of credit risk.

**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 4: NOTES RECEIVABLE**

The Foundation held a promissory note from Adaptive Development LLC, dated October 15, 2015 in the amount of \$78,666 for the sale of the vessel Torea. Interest on the note is calculated at 5 percent. The principal and interest is due on a quarterly basis with the final payment due on or before October 15, 2018. At June 30, 2018, the outstanding principal due is \$13,930. Interest included in investment income is \$1,519. At June 30, 2017, the outstanding principal due is \$40,781. Interest included in investment income is \$2,804.

Management has determined that the notes receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2018.

**NOTE 5: PLEDGES RECEIVABLE**

Unconditional promises to give are as follows:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Receivable - less than one year	\$ 100,000	\$ 140,000
Receivable - one to five years	90,000	120,000
Gross unconditional pledges	190,000	260,000
Less: discount	(6,960)	(14,426)
Net pledge receivable	\$ 183,040	\$ 245,574

Pledges receivable have been discounted to present value using a discount rate of 2.25%.

**NOTE 6: INVESTMENTS**

Investments are recorded at cost at date of acquisition or fair value at date of donation. As of June 30, 2018 and 2017, investments are reported at fair value. Cost and fair values at June 30, 2018 and 2017 are as follows:

	<b>June 30, 2018</b>		<b>June 30, 2017</b>	
	Cost	Fair Value	Cost	Fair Value
<b>Level 1</b>				
Fixed income	\$ 6,113,054	\$ 5,953,430	\$ 5,133,528	\$ 5,124,205
Marketable equity	11,394,927	13,643,634	9,272,668	11,139,720
Real estate	766,331	866,914	593,331	679,098
Venture capital/partnership	485,813	587,428	322,813	364,560
Hedge fund	1,032,873	1,067,009	757,885	760,123
<b>Total</b>	\$ 19,792,998	\$ 22,118,415	\$ 16,080,225	\$ 18,067,706

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 6: INVESTMENTS**

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.

Investment return for the years ended June 30, 2018 and 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Investment income, net of expense	\$ 427,051	\$ 371,430
Net realized gain	744,248	325,470
Net unrealized gain	339,365	1,221,820
Total	<u>\$ 1,510,664</u>	<u>\$ 1,918,720</u>

**NOTE 7: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of \$22,486 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2018 the fair value of this investment was \$23,191, which consisted of cash of \$1,160, equity mutual funds of \$16,002 and fixed income mutual funds of \$6,030 measured at quoted prices for similar assets and market-corroborated inputs (Level 2). At June 30, 2017 the fair value of this investment was \$23,218, which consisted of cash of \$1,161, equity mutual funds of \$15,092 and fixed income mutual funds of \$6,965 measured at quoted prices for similar assets and market-corroborated inputs (Level 2).

The investment and related net change in value by investment class and fund distributions from investment returns have not been reflected in the financial statements; however, changes in FCCC net assets for the fiscal year ended June 30, 2018 and summarized information for the fiscal year ended June 30, 2017 are presented below:

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

**NOTE 7: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>
	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
	<u>Restricted</u>	<u>Restricted</u>		
Investments with FCCC, beginning of year	\$ 732	\$ 22,486	\$ 23,218	\$ 22,001
Investment return:				
Investment income, net of expenses	377		377	415
Net appreciation (realized and unrealized)	1,063		1,063	2,269
Total investment return	1,440	-	1,440	2,684
Disbursements				
Fund distribution	(1,467)		(1,467)	(1,467)
Total disbursements	(1,467)	-	(1,467)	(1,467)
Change in value, FCCC investments	(27)	-	(27)	1,217
Investments with FCCC, end of year	\$ 705	\$ 22,486	\$ 23,191	\$ 23,218

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year.



**ORANGE COAST COLLEGE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**

*With Comparative Totals for the Fiscal Year Ended June 30, 2017*

**NOTE 8: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2018 and 2017 consisted of the following:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2018</u>
Depreciable capital assets				
Equipment	\$ 488,353	\$ 3,979,589	\$ (3,840,674)	\$ 627,268
Boats	<u>11,255,257</u>	<u>3,871,493</u>	<u>(1,291,840)</u>	<u>13,834,910</u>
Total costs and donated assets	<u>11,743,610</u>	<u>7,851,082</u>	<u>(5,132,514)</u>	<u>14,462,178</u>
Accumulated depreciation				
Equipment	(92,867)	(177,900)	149,581	(121,186)
Boats	<u>(3,828,577)</u>	<u>(2,146,654)</u>	<u>568,077</u>	<u>(5,407,154)</u>
Total accumulated depreciation	<u>(3,921,444)</u>	<u>(2,324,554)</u>	<u>717,658</u>	<u>(5,528,340)</u>
Net property and equipment	<u>\$ 7,822,166</u>	<u>\$ 5,526,528</u>	<u>\$ (4,414,856)</u>	<u>\$ 8,933,838</u>

The costs of certain California Department of Boating and Waterways (DBW) owned boats, 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 9: ASSETS HELD FOR SALE**

The Foundation accepts boats and marine equipment to support the College's School of Sailing and Seamanship (the School). Gifts made to the Foundation support 30% of the School's budget. Boats and marine equipment not used in the program are held for sale. As of June 30, 2018 and 2017, the carrying value is \$1,850 and \$101,648, respectively.

The boats and equipment are recorded at fair market value at the date of donation. Because the items in inventory are typically held for a very short time, this carrying value is not adjusted. Management has chosen to recognize any change in value when realized due to economic uncertainties.

**NOTE 10: SALE OF DONATED 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 property and equipment and depreciated as described in Note 2. Upon the disposal or sale of the property and equipment, the Foundation recognizes either a gain or loss from the disposal or sale of the donated assets. Sale of donated assets of boats and marine equipment for the years ended June 30, 2018 and 2017 is as follows:

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

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With Comparative Totals for the Fiscal Year Ended June 30, 2017

**NOTE 10: SALE OF DONATED ASSETS**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Net proceeds from sale	\$ 287,445	\$ 397,234
Less net value*	(594,981)	(576,342)
Net gain(loss) on sale	<u>\$ (307,536)</u>	<u>\$ (179,108)</u>

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

**NOTE 11: CHARTER FEES**

Certain boats donated to the Foundation may be leased for a period of approximately two years, with an option to purchase. Income is recognized in the year received. During the fiscal year 2017-18, charter fees and depreciation expenses were \$759,081 and \$1,581,282, respectively. During the fiscal year 2016-17, charter fees and depreciation expenses were \$831,688 and \$1,373,514, respectively.

**NOTE 12: RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Scholarships and grants	\$ 7,531,641	\$ 5,083,574
College and student assistance	21,752,291	19,742,589
Capital projects:		
Art pavilion	61,842	59,984
Recycling center	168,213	410,707
Planetarium	648,620	665,920
Sailing center expansion	1,032,832	910,212
Total	<u>\$ 31,195,439</u>	<u>\$ 26,872,986</u>

**NOTE 13: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$7,260,894 were released from temporary donor restrictions during the fiscal year 2017-18. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 14: SPLIT-INTEREST AGREEMENT AND RESTATEMENT**

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 years 2017-18 and 2016-17, the Foundation received distributions and investment income of approximately \$36,300 and \$31,600, respectively, from this trust. At June 30, 2018 and 2017, the Foundation's estimated net

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**NOTE 14: SPLIT-INTEREST AGREEMENT AND RESTATEMENT**

present value of their share was \$438,186 and \$479,361, respectively.

**NOTE 15: RELATED PARTIES**

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.

The Foundation was organized as an Auxiliary organization under California Education Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays salaries and benefits of the executive director, administrative assistants and accountants. In addition, working space for the employees who perform administrative services for the Foundation is provided by the District at no charge. In return, the Foundation provides various levels of monetary support and service to Orange Coast College and Coast Community College District. These transactions are recorded within the financial statements as distributions, student programs, and scholarship expense. The current master agreement is effective July 1, 2016 to June 30, 2021.

The donated services for the fiscal year 2017-18 and 2016-17 were valued at \$618,827 and \$521,724, respectively, and have been reflected in the financial statements as donated services. The donated facilities for the fiscal year 2017-18 and 2016-17 were valued at \$1,658 and have been reflected in the financial statements as donated facilities.