

ORANGE COAST COLLEGE FOUNDATION

FINANCIAL STATEMENTS

For the Fiscal Year

Independent Auditors' Report

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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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control in the foundation's operations as a part of the 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position, results of operations, and 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 financial statements of the Foundation for the year ended June 30, 2018. In our opinion, the summarized comparative information presented hereof for the year ended June 30, 2017 is consistent in all material respects with the audited financial statements from which it has been derived.

Clifton L. ...

Clifton L. ...
Glendora, California
December 12, 2018

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Comparative Balance Sheet of 2017

June 30, 2018 June 30, 2017

Assets

Current Assets:

| | | |
|----------------------------------|----------------|------------------|
| Cash and cash equivalents | 911,610 | 1,189,501 |
| Accounts receivable | 2,200 | 100 |
| Notes receivable - state portion | 13,933 | 13,040,227 |
| Pledges receivable | 100,000 | 140,000 |
| Prepaid expenses | 25,000 | 25,000 |
| Total Current Assets | 987,743 | 1,669,868 |

Non-Current Assets:

| | | |
|-------------------------------------|-------------------|-------------------|
| Notes receivable - long-term | - | 20,000,000 |
| Pledges receivable, net of discount | 93,040 | 106,574 |
| Receivable for short-term agreement | 106,800 | 170,000 |
| Investments, at fair value | 22,118,415 | 18,901,000 |
| Investments held for sale | 22,101 | 119,191 |
| Assets held for sale | - | 1,116,618 |
| Property and equipment, net | 9,933,036 | 1,022,100 |
| Total Non-Current Assets | 31,508,520 | 20,485,403 |

Total Assets

32,496,263 **22,155,271**

Liabilities and Net Assets

Current Liabilities:

| | | |
|---|----------------|----------------|
| Accounts payable | 76,004 | 54,960 |
| Charter deposits | 201,920 | 249,366 |
| Due to Coast Community College District | 75,082 | 94,496 |
| Total Current Liabilities | 353,006 | 398,822 |

Net Assets:

| | | |
|---|----------------------|----------------------|
| Unrestricted | 1,032,815 | 1,000,632 |
| Temporarily restricted | 31,195,439 | 20,484,771 |
| Total Net Assets | 32,228,254 | 21,485,403 |
| Total Liabilities and Net Assets | \$ 32,581,508 | \$ 22,270,674 |

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

| | June 30, 2018 | | June 30, 2017 | |
|---|---------------------|-------------------------|-------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Support and Revenue | | | | |
| Support | | | | |
| Charter fees | 52,226 | 6,126,100 | 6,178,326 | 5,711,100 |
| Program related sales | | 60,252 | 60,252 | 71,955 |
| Management fees | 121,442 | | 121,442 | 27,313 |
| Miscellaneous revenue | 15,447 | 41,224,588 | 41,240,035 | 32,070,012 |
| Donations | | 3,000,000 | 3,000,000 | 2,700,000 |
| Donated services | 618,827 | | 618,827 | 571,774 |
| Donated facilities | 1,658 | | 1,658 | 1,658 |
| Total Support | <u>679,598</u> | <u>609,350,738</u> | <u>610,030,336</u> | <u>572,356,657</u> |
| Other income, gains and losses | | | | |
| Charter fees | 759,081 | | 759,081 | 627,000 |
| Loss on sale of depreciable assets | | (206,650) | (206,650) | (206,650) |
| Gain on sale of fixed assets | | 50,420 | 50,420 | 50,420 |
| Investment income, net of expenses | | 21,930 | 21,930 | 32,122 |
| Realized gain (loss) on investments | 39,632 | 762,654,616 | 762,694,248 | 327,575,470 |
| Unrealized gain (loss) on investments | (4,969) | 344,334 | 339,365 | 1,421,871 |
| Change in value for split-interest agreements | | 41,175 | 41,175 | 2,068 |
| Change in value for investments | | | | 705 |
| Total Other Income, Gains, and Losses | <u>815,674</u> | <u>1,189,293</u> | <u>2,004,967</u> | <u>2,623,793</u> |
| Total revenue and other income | | | | |
| | 1,495,272 | 610,540,031 | 612,037,203 | 574,980,450 |
| Net assets released from restrictions | 7,260,984 | (7,260,984) | | |
| Total Support and Revenue | <u>8,887,358</u> | <u>4,322,353</u> | <u>13,209,711</u> | <u>10,835,293</u> |
| Operating Expenses | | | | |
| Program services | 8,274,014 | 9,274,714 | 9,274,714 | 8,402,410 |
| Supporting services | | | | |
| Management and general | 150,507 | 50,507 | 150,507 | 300,738 |
| Fundraising | 129,954 | | 129,954 | 109,562 |
| Total Expenses | <u>8,855,075</u> | <u>-</u> | <u>8,855,075</u> | <u>5,977,694</u> |
| Change in net assets | <u>32,183</u> | <u>4,322,453</u> | <u>4,354,636</u> | <u>4,857,599</u> |
| Net Assets | | | | |
| Beginning of year | 1,000,632 | 1,020,672,960 | 1,021,673,592 | 973,618 |
| End of year | <u>\$ 1,032,815</u> | <u>\$ 1,024,995,413</u> | <u>\$ 1,026,028,228</u> | <u>\$ 978,477</u> |

See the accompanying notes to the financial statements.

ORANGE COUNTY 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

June 30, 2018 June 30, 2017

Cash flows from operating activities

| | | |
|---|-------------|-------------|
| Contributions and special gifts | 3,047,425 | 3,333,920 |
| Interest | 427,951 | 371,426 |
| Operations | 875,168 | 963,715 |
| Payments to or benefit of employees | (461,709) | (291,318) |
| Payments to suppliers | (4,379,118) | (1,734,085) |
| Payments to or benefit of students | (722,570) | (552,770) |
| Net cash provided by operating activities | 1,708,227 | 1,000,000 |

Cash flows from investing activities

| | | |
|--|-------------|-------------|
| Proceeds from sale of boats and equipment | 288,321 | 27,188 |
| Acquisitions of boats and equipment | (49,800) | (22,000) |
| Purchases of investments | (2,117,501) | (863,000) |
| Proceeds from sale of investments | 2,775,248 | 2,100,247 |
| Net cash provided (used) by investing activities | (434,098) | (1,597,291) |

Net increase (decrease) in cash and cash equivalents

(125,871) 202,709

Cash and cash equivalents, beginning of year

1,402,204 1,226,034

Cash and cash equivalents, end of year

\$ 841,610 \$ 1,489,504

Reconciliation of change in net assets to cash provided (used) by operating activities

| | | |
|---|--------------|--------------|
| Change in net assets | \$ 4,354,856 | \$ 4,837,592 |
| 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 | (1,083,000) | (1,111,200) |
| Loss on sale of boats and equipment | (7,122,222) | (5,019,177) |
| Loss on sale of donated items | 306,658 | 170,108 |
| Gain on sale of fixed assets | - | (20,425) |
| Change in value of split-interest agreements | (41,172) | (2,008) |
| Change in value of investments held with PCCF | (703) | - |
| Change in assets - (increase)/decrease: | | |
| Accounts receivable | (1,200) | 1,059 |
| Pledge receivable | 62,534 | (8,400) |
| Contribution receivable from split-interest agreement | 48,175 | 117,505 |
| Notes receivable | 26,851 | 20,700 |
| Change in liabilities - increase/(decrease): | | |
| Accounts payable | 21,044 | (10,028) |
| Charter deposits | (47,446) | 250,000 |
| Due to Orange County Public Schools District | (10,111) | (9,414) |
| Net cash provided by operating activities | \$ 1,708,227 | \$ 1,000,000 |

Non-cash investment activities

| | | |
|------------------------------------|--------------|--------------|
| Equity investments | 2,580 | 198,095 |
| Net non-cash investment activities | \$ 4,505,252 | \$ 2,030,797 |

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 | \$ 22,778 | \$ 266,005 | \$ 170,054 | \$ 658,837 | \$ 531,774 |
| Donated facilities | 1,659 | | | 1,659 | |
| Debt interest | | 270,070 | | 270,070 | 51,271 |
| Contributions & grants | 702,553 | | | 702,553 | 1,042,383 |
| Salaries and benefits | 402,555 | | | 402,555 | 321,102 |
| Services - legal | 243 | | | 243 | |
| Services - courier | 2,092 | | | 2,092 | 8,212 |
| Administrative and accounting | 17,639 | 1,265 | | 18,904 | 8,991 |
| Office expenses | 70,546 | 49,470 | | 120,016 | 83,175 |
| Occupancy | 32,273 | 1,262 | | 33,535 | 217,987 |
| Travel | 57,533 | 2,348 | | 59,881 | 52,187 |
| Conference and meetings | 11,398 | 3,000 | 11,398 | 24,796 | 3,200 |
| Depreciation | 2,324,554 | | | 2,324,554 | 1,866,111 |
| Insurance | 220 | 12,204 | | 12,424 | 12,117 |
| Equipment | 1,054,831 | 21,563 | | 1,076,394 | 827,363 |
| Hospitality | 30,700 | 22,831 | | 53,531 | 37,854 |
| Management fees | 121,442 | | | 121,442 | 87,512 |
| Bank charges and services | 8,030 | 805 | | 8,835 | 20,074 |
| Contract services | 86,412 | 14,572 | | 100,984 | 62,107 |
| Program expenses | 710,316 | 20,000 | | 730,316 | 772,100 |
| Construction | | 1,011,382 | | 1,011,382 | 1,012,878 |
| Net total, credits, transfers | 32,027 | 107 | | 32,134 | 247,321 |
| Subscriptions & dues | 11,658 | 10,091 | | 21,749 | 27,072 |
| Other expenses | 50,418 | 15,738 | | 66,156 | 101,100 |
| Total | \$ 6,274,321 | \$ 2,341,155 | \$ 170,054 | \$ 8,785,530 | \$ 7,564,602 |

See the accompanying notes to the financial statements

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Data for the Year Ended June 30, 2018

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, 1964 with the express purpose of promoting and assisting the educational programs, 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, and as required by the Education Code Section 12012(c). The members of the Foundation's Board of Directors are composed of members from the community. The Foundation maintains books, many of which were donated, to assist 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 an accrual basis of accounting.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to the nature of assets or liabilities 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 are either imposed 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. Temporary 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 money market funds.

Pledges Receivable

Unconditional pledges to give that are reported at their fair value in the financial statements are recorded at net realizable value. Unconditional pledges that are receivable within 12 months and the amount due within one year are recognized at fair value using present value of a 3.25% discount rate. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of these pledges and determined the balances to be fully collectible. Management regularly evaluates pledged receivables and the potential collectability is in place and reviewed throughout the year.

Investments

Investments in marketable securities with readily determinable fair values and 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 is restricted by law.

Split-Interest Agreement

The Foundation is the beneficiary of a charitable remainder trust. The terms and instruments for this agreement is based upon the provisions of the trust agreement provided by the Internal Revenue Service for determining the charitable remainder trust. The charitable remainder trust is administered by a third party. Assets allocated to the split-interest agreement are recognized at the time of the split-interest agreement and the benefits of the agreement.

Property and Equipment

Property and equipment are stated at cost and reported as recorded at its acquisition date at the date of receipt which is then treated as assets. The Foundation maintains capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend its useful life are not capitalized. Depreciation

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2018

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life

Accounts Payable

Accounts payable consists of amounts due to vendors, which may yet be disbursed during the fiscal year.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized and analyzed on a functional basis in the statement of activities. Certain costs have been allocated among the programs.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Contributions

Contributions, including unconditional promises to give, are recorded when made and contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized with the donor's obligation when the donor's obligation is substantially met. Unconditional promises to give due within 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 less the risk-free rate of interest applicable to the period 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 manages 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 one-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 recorded as contributions in the accounting statements at their estimated value at date of donation. For donated items with estimated values of \$5,000 or more, an appraisal is provided by the donor. This appraisal is used as 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 is not certain 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 be sustained upon the expiration of examination periods. No reserves for uncertain tax positions are required.

The Foundation files informational returns with 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.

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 securities with financial institutions believed to be highly creditworthy. Investments in securities may exceed insured limits and include uninsured investments in a money market mutual fund. The Foundation has not experienced losses in any of its money market securities accounts associated with accounts receivable and receivables are not considered to be high risk due to their history of collection rates and because substantial portions of the outstanding amounts are from organizations supportive of our charitable investments are made by established investment managers whose performance is monitored by the Finance Committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment portfolio is in the best long-term interest and term welfare of the organizations.

Deposits

Custodial credit risk is the risk that in the event of a failure of a bank, 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 banking branch trust department of the Foundation's bank.

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 default and covers, but 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 real estate. The Foundation has 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 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 participants, 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:

| | June 30, 2018 | June 30, 2017 |
|------------------------------------|---------------|---------------|
| Investment income (net of expense) | \$ 123,051 | \$ 427,000 |
| Net realized gain | 744,248 | 378,970 |
| Net unrealized gains | 333,650 | 1,221,620 |
| Total | \$ 1,510,667 | \$ 1,827,590 |

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

The Foundation has entered into a partnership with the Foundation for California Community Colleges Scholarship Endowment (FCCCSE) 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 FCCCSE assets.

The Foundation has transferred a total of \$22,400 to the FCCC. These funds are invested in a pooled investment fund. At June 30, 2018, the fair value of this investment was \$23,191, which consisted of \$1,160 in equity mutual funds and \$22,031 in income mutual funds of \$6,030 measured at quoted prices for similar assets and market corroborated inputs. At June 30, 2017, the fair value of this investment was \$23,191, which consisted of cash of \$1,161, equity mutual funds of \$15,015 and income mutual funds of \$6,785 measured at quoted prices for similar assets and market corroborated inputs (Level 2).

The investment returns from the FCCCSE 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

For the Fiscal Year ended June 30, 2018
 With Comparative Data for June 30, 2017

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

| | June 30, 2018 | | June 30, 2017 | |
|--|------------------------|------------------------|---------------|-----------|
| | Temporarily Restricted | Permanently Restricted | Total | Total |
| Investments with FCCC, beginning of year | \$ 732 | \$ 22,486 | \$ 23,218 | \$ 23,001 |
| Investment return: | | | | |
| Investment income, net of expenses | | | | |
| Net appreciation (realized and unrealized) | | 1,005 | 1,005 | 2,209 |
| Total investment return | | 1,440 | 1,440 | 2,429 |
| Disbursements: | | | | |
| Fund disbursement | (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 | \$ 732 | \$ 22,100 | \$ 22,832 | \$ 24,750 |

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

| | Balance July 1, 2017 | Additions | Transfers and Deletions | Balance June 30, 2018 |
|--|-------------------------|--------------|----------------------------|--------------------------|
| Depreciable capital assets | | | | |
| Equipment | \$ 488,353 | \$ 3,979,589 | \$ (3,840,674) | \$ 627,268 |
| Boats | 11,255,257 | 3,871,488 | (3,221,191) | 11,905,554 |
| Total costs and accumulated depreciation | 11,743,610 | 7,851,077 | (7,061,865) | 12,532,822 |
| Accumulated depreciation | | | | |
| Equipment | (92,867) | (177,900) | 149,581 | (121,186) |
| Boats | (3,828,577) | (2,146,654) | 568,077 | (5,407,154) |
| Total accumulated depreciation | (3,921,444) | (2,324,554) | 717,658 | (5,528,340) |
| Net property and equipment | \$ 7,822,166 | \$ 5,526,523 | \$ (6,344,207) | \$ 7,004,482 |

The costs of certain California Department of Boating and Waterways (CDBW) 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 title remains with the CDBW.

NOTE 9: ASSETS HELD FOR SALE

The Foundation accepts boats and marine equipment from the general public for the Marine and Seamanship (the School). Gifts made for the educational support of the School's boats, marine boats and marine equipment not used in the program are held for sale. As of June 30, 2018 and 2017, the carrying values are \$1,516,000 and \$1,019,000, respectively.

The boats and equipment are recorded at their fair value at the date of acquisition. 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 instructional items used for instructional purposes, these items are recognized as property and equipment and depreciated as described in Note 8 upon the acquisition date of the property. Upon disposal, the Foundation recognizes either a gain or loss from the disposal or sale of the asset. The gains or losses of donated assets of boats and marine equipment for the year are recorded as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR

With comparative figures for the year ended June 30, 2017

NOTE 10: SALE OF DONATED ASSETS

| | June 30, 2018 | June 30, 2017 |
|-------------------------|---------------|---------------|
| Net proceeds from sale | \$ 1,120,000 | \$ 1,120,000 |
| Less net book value | (812,460) | (742,912) |
| Net gain (loss) on sale | \$ 307,540 | \$ 377,088 |

*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 45 days, with an option to purchase. These income-producing assets are leased throughout the fiscal year. During the fiscal year 2017-18, charter fees and depreciation expenses were \$750,000 and \$138,200, respectively. During the fiscal year 2016-17, charter fees and depreciation expenses were \$611,000 and \$127,700, respectively.

NOTE 12: RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

| | June 30, 2018 | June 30, 2017 |
|--------------------------------|---------------|---------------|
| 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 | 50,000 |
| Recycling center | 168,213 | 410,707 |
| Planetarium | 648,630 | 665,000 |
| Sailing center expansion | 1,032,832 | 740,217 |
| Total | \$ 31,192,459 | \$ 20,812,980 |

NOTE 13: NET ASSETS RELEASED FROM RESTRICTIONS

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

NOTE 14: SPLIT-INTEREST AGREEMENT AND PRESTATEMENT

In 1975, the Foundation became a beneficiary of a split-interest trust in the estate of Hazel Cubbon Greenleaf. The will established the Hazel Cubbon Greenleaf Educational Fund (trust) with a portion of the assets in the estate. During the fiscal years 2017-18 and 2016-17, the Foundation received distributions and income of approximately \$31,600 and \$31,600, respectively, from this trust. At June 30, 2018 and 2017, the foundation's estimate of net

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ending June 30, 2018
With Comparative Data for the Fiscal Year Ending June 30, 2017

NOTE 14: SPLIT-INTEREST AGREEMENT AND RESTATEMENT

present value of their shares was \$438,186 and \$172,061, 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, donations, and contributions to be used for the benefit of the College and any person or organization having an official relationship with the College.

The Foundation was organized as an Auxiliary organization under California law and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in its operations. The District pays salaries and benefits of the executive director, administrative assistants and secretary. In addition, working space for the employees and performance appraisal 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 years 2017-18 and 2016-17 were valued at \$910,621 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 \$1,528,000 and have been reflected in the financial statements as donated facilities.