

ORANGE COAST CO

ORANGE COAST COLLEGE FOUNDATION

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June 30, 2019

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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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

Change in Accounting Principles

As discussed in Note 2 to the financial statements, Orange Coast College Foundation adopted the Accounting Standards Update (ASU) No. 2016- Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our auditors' opinion was not modified with respect to that matter to the implementation.

Correction of Error

As described in Note 18, the Foundation restated their beginning asset to record funds held record designated scholarships as a liability. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP
Glendora, California
November 13, 2019

ORANGE COAST COLLEGE FOUNDATION

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STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from operating activities		
Contributions and special events	\$ 379,280	\$ 2,365,153
Fundraising for college programs	1,253,974	3,682,272
Interest	479,295	427,051
Other operating activities and charter fees	918,778	875,168
Payments to/on behalf of employees	(584,843)	(481,769)
Payments to suppliers	(1,833,333)	(4,379,118)
Payments to/on behalf of students for scholarships	<u>(720,110)</u>	<u>(710,062)</u>
Net cash provided by operating activities	<u>(106,959)</u>	<u>1,778,695</u>
 Cash flows from investing activities		
Proceeds from sale of boats and equipment	247,253	288,323
Acquisitions of boats and equipment	10,524	(79,800)
Purchase of investments	(4,607,456)	(5,417,869)
Proceeds from sale of investments	<u>4,294,472</u>	<u>2,684,072</u>
Net cash provided (used) by investing activities	<u>(55,207)</u>	<u>(2,525,274)</u>
 Net increase (decrease) in cash and cash equivalents	(162,166)	(746,579)
 Cash and cash equivalents, beginning of year	<u>620,654</u>	<u>1,367,233</u>
Cash and cash equivalents, end of year	<u>\$ 458,488</u>	<u>\$ 620,654</u>

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

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ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSE

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

	June 30, 2019						June 30, 2018
	Student and College Support	Sailing Program	Total Program Services	Management & Services	Fundraising	Total	Total
Donated services	\$ 237,563		\$ 237,563	\$ 283,756	\$ 138,578	\$ 659,897	\$ 618,827
Donated facilities	19,898		19,898			19,898	1,658
In-kind contributions	39,630		39,630			39,630	270,970
Scholarships and grants	720,110		720,110			720,110	710,062
Salaries and benefits	330,904	224,869	555,773			555,773	462,355
Services - legal	1,056		1,056			1,056	943
Services - other	1,550		1,550			1,550	2,863
Advertising and promotion	30,904						

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Foundation files and exempt informational return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) –Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and have adjusted the presentation of these financial statements accordingly.

Subsequent Events

The Foundation has evaluated subsequent events through November 13, 2019, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2019.

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for operating expenditures, is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and cash equivalents	\$ 61,543	\$ 157,927
Short term operating investments	11,697	9,002
	<u>\$ 73,240</u>	<u>\$ 166,929</u>

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 3: LIQUIDITY AND AVAILABILITY

Our endowment fund consists of donor-restricted endowment. Income from the donor-restricted endowment is restricted for its specific purpose. Donor-restricted endowment funds are not available for general expenditure.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Foundation manages deposit concentration 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 given 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 amount 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- or insurance committee experiences are subject

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ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 7: INVESTMENTS

	June 30, 2019		June 30, 2018	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 278,415	\$ 278,415	\$ 220,958	\$ 220,958
Fixed income (Level 1)	5,823,631	5,852,768	6,113,054	5,953,430
Marketable equity (Level 1)	12,505,521	14,647,404	11,394,927	13,643,632
Real estate (Level 1)	479,829	550,018	766,331	866,914
Venture capital/partnership (Level 1)	749,563	935,2/MCID s.63		
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ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

Changes in investments held with FCCC for the fiscal year ended June 30, 2019 and 2018 are presented herein:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Investments with FCCC, beginning of year	\$ 23,191	\$ 23,218
Investment return:		
Investment income, net of expenses	498	377
Net appreciation (realized and unrealized)	<u>750</u>	<u>1,063</u>
Total investment return	<u>1,248</u>	<u>1,440</u>
Disbursements	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
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ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 10: PROPERTY AND EQUIPMENT

	Balance July 1, 2018	Additions	Transfers and Deletions	Balance June 30, 2019
Depreciable capital assets				
Equipment	\$ 627,268	\$ 54,205	\$	\$ 681,473
Boats	13,834,910	1,620,272	(3,724,650)	11,730,532
Total costs and donated assets	<u>14,462,178</u>	<u>1,674,477</u>	<u>(3,724,650)</u>	<u>12,412,005</u>
Accumulated depreciation				
Equipment	(121,186)	(21,660)		(142,846)
Boats	(5,407,154)	(2,599,193)	2,660,191	(5,346,156)
Total accumulated depreciation	<u>(5,528,340)</u>	<u>(2,620,853)</u>	<u>2,660,191</u>	<u>(5,489,002)</u>
Net property and equipment	<u>\$ 8,933,838</u>	<u>\$ (946,376)</u>	<u>\$ (1,064,459)</u>	<u>\$ 6,923,003</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 11: 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, 2019 and 2018, the carrying value is \$11,750 and \$1,850, 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 12: 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, 2019 and 2018 is as follows:

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 12: SALE OF DONATED ASSETS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Net proceeds from sale	\$ 247,253	\$ 288,323
Original donated value	3,728,550	1,294,498
Accumulated depreciation	<u>(2,659,791)</u>	<u>(699,517)</u>
Less net value	<u>1,068,759</u>	<u>594,981</u>
Net loss on sale	<u>\$ (821,506)</u>	<u>\$ (306,658)</u>

NOTE 13: CHARTER FEES

Certain boats donated to the Foundation may be chartered for a period of approximately two years, with an option to purchase. Income is recognized in the year received. During the fiscal year 2018-19, charter fees and depreciation e

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 14: ENDOWMENT

- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Endowment Composition and Changes in Endowment Net Assets

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 consisted of donor restricted endowment funds subject to purpose and time restrictions of \$106,525 and \$104,114, respectively. Changes in endowment net assets for the fiscal year ended June 30, 2019 and 2018 are reported in the statement of activities in investment income with donor restrictions restricted activities as appropriate.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by Board of Directors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported on net assets without donor restrictions as of June 30, 2019 and 2018.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of a diversified portfolio of securities.

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NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 14: ENDOWMENT

unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on capitalised investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year 5 percent of the original contribution (corpus) which will be considered the floor and 5 percent of the total value (corpus plus income and any realized gains) which will be the ceiling. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. Spending is reviewed annually and allocations are determined to allow continued growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified time as well as to provide additional real growth through new gifts and investment return.

NOTE 15: FUNCTIONAL EXPE

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