

ORANGE COAST COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

**For the Year Ended June 30, 2014
with Comparative Totals for the Year Ended June 30, 2013
and
Independent Auditor's Report**

ORANGE COAST COLLEGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Orange Coast College Foundation (the Foundation), a Component Unit of Coast Community College District, which comprise the statement of financial position as of June 30, 2014, 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.

Auditor's 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 from material misstatement.

The audit involves performing procedures to obtain audit 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, we consider 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.

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

Board of Directors
Orange Coast College Foundation

Opinion

In our opinion, the financial statements referred to in this letter present fairly, in all material respects, the financial position of Orange Coast College Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Foundation as of June 30, 2013 were audited by other auditors whose report dated November 26, 2013 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vicenti Lloyd & Stutzman, LLP
VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
February 20, 2015

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With Comparative Totals at June 30, 2013

ASSETS	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets		
Cash and cash equivalents	\$ 1,418,613	\$ 1,005,349
Accounts receivable	100,000	
Pledges receivable	150,000	150,000
Prepaid expense	4,650	2,179
Other assets	25,000	28,750
Total current assets	<u>1,698,263</u>	<u>1,186,278</u>
Non-Current Assets		
Pledges receivable	282,650	420,730
Contributions receivable from split-interest agreement	36,136	36,136
Investments, at fair value	14,641,738	11,248,952
Assets held for sale	53,713	1,062,601
Property and equipment, net	3,721,999	2,573,209
Total non-current assets	<u>18,736,236</u>	<u>15,341,628</u>
Total assets	<u>\$ 20,434,499</u>	<u>\$ 16,527,906</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 204,175	\$ 75,548
Charter deposits	110,000	
Due to Coast Community College District	33,305	37,075
Total current liabilities	<u>347,480</u>	<u>112,623</u>
Net Assets		
Unrestricted	1,017,993	450,073
Temporarily restricted	19,069,026	15,965,210
Total net assets	<u>20,087,019</u>	<u>16,415,283</u>
Total liabilities and net assets	<u>\$ 20,434,499</u>	<u>\$ 16,527,906</u>

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	June 30, 2014			June 30, 2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Support and revenue				
Contributions	\$ 553,167	\$ 4,079,983	\$ 4,633,150	\$ 1,651,114
Special events	2,505		2,505	7,123
Sales		50,017	50,017	77,406
Management fees	66,073		66,073	54,034
Miscellaneous revenue		52,801	52,801	12,472
Donated property and equipment		679,200	679,200	767,157
Donated services	418,039		418,039	365,090
Donated facilities	1,658		1,658	1,658
Total support	<u>1,041,442</u>	<u>4,862,001</u>	<u>5,903,443</u>	<u>2,936,054</u>
Other income				
Charter fees		330,775	330,775	28,100
Gain (loss) on sale of donated assets		(107,946)	(107,946)	490,892
Investment income, net of expense	31,002	665,920	696,922	368,180
Realized gain on investments	86,060		86,060	1,008,150
Unrealized gain on investments		1,088,855	1,088,855	120,516
Total other income	<u>117,062</u>	<u>1,977,604</u>	<u>2,094,666</u>	<u>2,015,838</u>
Total revenues before net assets released from restrictions	1,158,504	6,839,605	7,998,109	4,951,892
Net assets released from restrictions	<u>3,735,789</u>	<u>(3,735,789)</u>	-	-
Total revenues	<u>4,894,293</u>	<u>3,103,816</u>	<u>7,998,109</u>	<u>4,951,892</u>
EXPENSES				
Program services	3,937,794		3,937,794	3,264,925
Supporting services:				
Management and general	298,286		298,286	424,491
Fundraising	90,293		90,293	81,635
Total expenses	<u>4,326,373</u>	-	<u>4,326,373</u>	<u>3,771,051</u>
Change in net assets	567,920	3,103,816	3,671,736	1,180,841
NET ASSETS				
Beginning of year	<u>450,073</u>	<u>15,965,210</u>	<u>16,415,283</u>	<u>15,234,442</u>
End of year	<u>\$ 1,017,993</u>	<u>\$ 19,069,026</u>	<u>\$ 20,087,019</u>	<u>\$ 16,415,283</u>

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities		
Contributions and special events	\$ 4,673,735	\$ 141,969
Interest	696,922	368,180
Operations	543,593	587,140
Payments to suppliers	(2,567,711)	(1,474,834)
Payments to/on behalf of students for scholarships	<u>(706,695)</u>	<u>(748,400)</u>
Net cash provided/(used) by operating activities	<u>2,639,844</u>	<u>(1,125,945)</u>
 Cash flows from investing activities		
Proceeds from sale of boats and equipment	485,237	984,333
Acquisitions of boats and equipment	(493,946)	-
Purchase of investments	(4,125,475)	(13,232,545)
Proceeds from sale of investments	<u>1,907,604</u>	<u>13,977,758</u>
Net cash provided/(used) by investing activities	<u>(2,226,580)</u>	<u>1,729,546</u>
Net increase in cash and cash equivalents	413,264	603,601
Cash and cash equivalents, beginning of year	<u>1,005,349</u>	<u>401,748</u>
Cash and cash equivalents, ending of year	<u>\$ 1,418,613</u>	<u>\$ 1,005,349</u>
 Reconciliation of change in net assets to cash used by operating activities		
Change in net assets	\$ 3,671,736	\$ 1,180,841
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation expense	440,061	748,434
Realized and unrealized gain on investments	(1,174,915)	(1,128,666)
Non-cash contributions received	(679,200)	(767,157)
Loss (gain) on sale of donated items	107,946	(490,892)
Changes in assets and liabilities:		
Increase in accounts receivable	(100,000)	-
Increase/(decrease) in pledges receivable	138,080	(570,730)
Increase in prepaid expenses	(2,471)	(3,459)
Decrease in other assets	3,750	-
Increase /decrease) in accounts payable	128,627	(2,950)
Increase/(decrease) in Due to Coast CCD	(3,770)	8,634
Increase/(decrease) in charter deposits	<u>110,000</u>	<u>(100,000)</u>
Net cash provided/(used) by operating activities	<u>\$ 2,639,844</u>	<u>\$ (1,125,945)</u>

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	June 30, 2014				June 30, 2013
	Program Services	Management and General	Fundraising	Total	Total
Donated services	\$ 150,494	\$ 179,757	\$ 87,788	\$ 418,039	\$ 365,090
Donated facilities		1,658		1,658	1,658
Scholarships and grants	706,695			706,695	750,068
Services - broker fees	2,526			2,526	47,781
Advertising and promotion	1,323			1,323	3,231
Office expenses	37,405	14,974		52,379	52,519
Occupancy - moorage	63,764			63,764	117,814
Travel	24,768	91		24,859	6,566
Conferences and meetings	5,380			5,380	3,362
Depreciation	440,061			440,061	748,434
Insurance	1,102	9,142		10,244	9,575
Equipment	862,903	22,655		885,558	235,223
Hospitality	38,528	10,063		48,591	169,358
Management fees	63,325	2,748		66,073	54,034
Bank charges and fees	67,587	6,952		74,539	56,746
Contract services	473,816			473,816	534,210
Special events			2,505	2,505	75
Donation expenses	726,816			726,816	426,947
Other expenses	271,301	50,246		321,547	188,360
Total	<u>\$ 3,937,794</u>	<u>\$ 298,286</u>	<u>\$ 90,293</u>	<u>\$ 4,326,373</u>	<u>\$ 3,771,051</u>

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

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 - The 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:

Unrestricted net assets – Net assets that are 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. Currently, the Foundation has no permanently restricted net assets.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 techniques at the U.S. Treasury Bill discount rate. 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 Agreements - The Foundation has charitable remainder trusts. The terms and discount rates for these agreements are based on 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 trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at fair market value.

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.

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.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

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 year ended June 30, 2013.

Reclassifications - Certain reclassifications to the summarized comparative information have been made to conform with the current year presentation.

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

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 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 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 February 20, 2015, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2014.

NOTE 3 – CONCENTRATION OF CREDIT RISK:

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 the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014 and 2013, none of the Foundation's bank balance was exposed to an uninsured credit risk.

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 decline in market values. As of June 30, 2014 and 2013 the Foundation had investments in excess of the SIPC insurance amount; however the Foundation believes it is not exposed to any significant credit risk on its cash balances.

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014
With Comparative Totals for Year Ended June 30, 2013

NOTE 4 – PLEDGES RECEIVABLE:

Unconditional promises to give are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Receivable - less than one year	\$ 150,000	\$ 150,000
Receivable - one to five years	<u>300,000</u>	<u>450,000</u>
Gross unconditional pledges	450,000	600,000
Less: discount	<u>(17,350)</u>	<u>(29,270)</u>
Net pledges receivable	<u>\$ 432,650</u>	<u>\$ 570,730</u>

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

NOTE 5 – CONTRIBUTIONS RECEIVABLE FROM SPLIT INTEREST AGREEMENT:

The Foundation is the beneficiary of split-interest charitable gift annuity agreements for which the Foundation is not the administrator. The Foundation recognized the present value of the estimated future benefits of the agreements to be received as temporarily restricted contribution revenue and as a receivable when notified of the agreement. No adjustments to the receivable have been made to reflect revaluation of the present value of the estimated future payments to the lifetime beneficiary.

Contributions receivable from split-interests agreements totaled \$36,136 at June 30, 2014 and 2013. These receivables represent the portion of the charitable gift annuity agreements for which the Foundation is the designated beneficiary. The contributions will be collected after the contributor's death to benefit the academic missions and programs of the College to be allocated at the discretion of the college president.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

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, 2014 the fair value of this investment was \$25,733, which consisted of cash of \$1,387, equity securities of \$18,172 and fixed income instruments of \$6,174 measured at quoted prices in active markets for identical assets (Level 1). This investment and change in value has not been reflected in the financial statements.

Changes in FCCC net assets for the year ended June 30, 2014:

	June 30, 2014		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
FCCC net assets, beginning of year	\$ 957	\$ 22,486	\$ 23,443
Investment return:			
Investment income, net of expenses	356		356
Net appreciation (realized and unrealized)	<u>3,267</u>		<u>3,267</u>
Total investment return	<u>3,623</u>	<u>-</u>	<u>3,623</u>
Disbursements			
Fund distributions	<u>(1,333)</u>		<u>(1,333)</u>
Total disbursements	<u>(1,333)</u>	<u>-</u>	<u>(1,333)</u>
Change in FCCC net assets	<u>2,290</u>	<u>-</u>	<u>2,290</u>
FCCC net assets, end of year	<u>\$ 3,247</u>	<u>\$ 22,486</u>	<u>\$ 25,733</u>

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

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

The CCCSE was set up to provide matching scholarship 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. The Foundation received \$18,000, including \$1,333 in fund distributions from investment returns, from the Osher Foundation during the year ended June 30, 2014 for scholarships.

NOTE 8 – PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2014 and 2013 consisted of the following:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets				
Non-depreciable:				
Land	\$ 10,000	\$	\$	\$ 10,000
Depreciable:				
Equipment	146,682	691,457		838,139
Boats	<u>4,394,408</u>	<u>456,674</u>	<u>(442,170)</u>	<u>4,408,912</u>
Total cost and donated assets	<u>4,551,090</u>	<u>1,148,131</u>	<u>(442,170)</u>	<u>5,257,051</u>
Accumulated depreciation				
Equipment	(20,225)	(64,511)		(84,736)
Boats	<u>(1,957,656)</u>	<u>(375,550)</u>	<u>882,890</u>	<u>(1,450,316)</u>
Total accumulated depreciation	<u>(1,977,881)</u>	<u>(440,061)</u>	<u>882,890</u>	<u>(1,535,052)</u>
Net property and equipment	<u>\$ 2,573,209</u>	<u>\$ 708,070</u>	<u>\$ 440,720</u>	<u>\$ 3,721,999</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.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

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, 2014 and 2013, the fair value is \$53,173 and \$1,062,601, respectively.

Level 3 has been assigned to the fair value of these assets. The fair value measurement for Level 3 is determined by the organization's own assumptions about market participation, including assumptions about risk, which are developed based on the best information available in the circumstances. Management has chosen to recognize the 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 year ended June 30, 2014 included the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Net proceeds from sale	\$ 485,237	\$ 984,333
Less net value*	<u>(593,183)</u>	<u>(493,441)</u>
Net gain (loss) on sale	<u>\$ (107,946)</u>	<u>\$ 490,892</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 2013-14, charter fees and depreciation expenses were \$330,775 and \$90,200, respectively. During the fiscal year 2012-13, charter fees and depreciation expenses were \$28,100 and \$254,081, respectively.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

NOTE 12 - RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES:

Temporary restricted net assets consist of the following at June 30, 2014 and 2013:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Scholarships and grants	\$ 4,258,496	\$ 3,871,772
College and student assistance	12,722,344	10,243,877
Charitable gift annuity held by trustee	36,136	36,136
Capital projects:		
Art pavilion	10,824	10,724
Recycling center	270,634	346,255
Planetarium	80,326	224,475
Sailing center expansion	<u>1,690,266</u>	<u>1,231,971</u>
Total	<u>\$ 19,069,026</u>	<u>\$ 15,965,210</u>

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$3,735,789 were released from temporary donor restrictions during the fiscal year 2013-14. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 14 – OTHER TRUSTS:

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 \$34,000 from this trust. At June 30, 2014, the Foundation's share of the trust's fair value was approximately \$505,000. 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.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

With Comparative Totals for Year Ended June 30, 2013

NOTE 15 - RELATED PARTIES:

The Foundation provides various levels of monetary support and service to the Coast Community College 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 2013-14 were valued at \$418,039 and \$1,658, and for the fiscal year 2012-13 were valued at \$365,090 and \$1,658, respectively, and have been reflected in the financial statements as donated services and facilities.