

ORANGE COAST COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

and

Independent Auditor's Report

ORANGE COAST COLLEGE FOUNDATION

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June 30, 2017

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INDEPENDENT AUDITOR'S 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, 2017, 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 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 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.

Opinion

In our opinion, the financial statements referred to in this letter present fairly, in all material respects, the financial position of the Orange Coast College Foundation as of June 30, 2017, 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.

Prior Period Summarized Comparative Information

The June 30, 2016 financial statements were audited by Vicenti, Lloyd & Stutzman, LLP, whose practice became a part of CliftonLarsonAllen LLP as of June 1, 2017, and whose report dated December 13, 2016 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP
Glendora, California
February 5, 2017

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Comparative Totals at June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,367,233	\$ 933,471
Accounts receivable	700	1,739
Notes receivable - current portion	13,927	25,567
Pledges receivable	140,000	200,000
Other Assets	<u>25,000</u>	<u>25,000</u>
Total Current Assets	<u>1,546,860</u>	<u>1,185,777</u>
Non-Current Assets:		
Notes receivable - long-term portion	26,854	38,914
Pledges receivable, net of discount	105,574	37,174
Receivable for split interest agreement	479,361	331,856
Investments, at fair value	18,189,977	14,764,087
Assets held for sale	101,648	98,298
Property and equipment, net	<u>7,822,166</u>	<u>6,659,128</u>
Total Non-Current Assets	<u>26,725,580</u>	<u>21,929,457</u>
Total Assets	<u>\$ 28,272,440</u>	<u>\$ 23,115,234</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 54,326	\$ 64,364
Charter deposits	250,000	
Due to Coast Community College District	<u>94,496</u>	<u>34,851</u>
Total Current Liabilities	<u>398,822</u>	<u>99,215</u>
Net Assets:		
Unrestricted	1,000,632	998,474
Temporarily restricted	<u>26,872,986</u>	<u>22,017,545</u>
Total Net Assets	<u>27,873,618</u>	<u>23,016,019</u>
Total Liabilities and Net Assets	<u>\$ 28,272,440</u>	<u>\$ 23,115,234</u>

See the accompanying notes to the financial statements

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	June 30, 2017			June 30, 2016
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Support				
Contributions	\$ 70,133	\$ 3,587,648	\$ 3,657,781	\$ 2,172,575
Special events			-	39,147
Sales		71,955	71,955	56,858
Management fees	87,513		87,513	58,433
Miscellaneous revenue		60,072	60,072	58,629
Donated property and equipment		3,810,797	3,810,797	4,976,012
Donated services	521,724		521,724	557,748
Donated facilities	1,658		1,658	1,658
Total Support	681,028	7,530,472	8,211,500	7,921,060
Other income, gains and losses				
Charter fees	831,688		831,688	804,170
Loss on sale of donated assets		(179,108)	(179,108)	(292,474)
Gain on sale of fixed assets		50,425	50,425	10,889
Investment income, net of expenses	25,604	345,826	371,430	315,783
Realized gain (loss) on investments	101,554	223,916	325,470	(35,608)
Unrealized gain (loss) on investments		1,221,820	1,221,820	(302,676)
Change in value for split interest agreements		2,068	2,068	(36,676)
Total Other Income, Gains, and Losses	958,846	1,664,947	2,623,793	463,408
Total revenues before net				
assets released from restrictions	1,639,874	9,195,419	10,835,293	8,384,468
Net assets released from restrictions	4,339,978	(4,339,978)	-	-
Total Support and Revenue	5,979,852	4,855,441	10,835,293	8,384,468
Operating Expenses				
Program services	5,487,418		5,487,418	4,568,367
Supporting services				
Management and general	380,714		380,714	364,852
Fundraising	109,562		109,562	126,004
Total Expenses	5,977,694	-	5,977,694	5,059,223
Change in net assets	2,158	4,855,441	4,857,599	3,325,245
Net Assets				
Beginning of year	998,474	22,017,545	23,016,019	19,690,774
End of year	\$ 1,000,632	\$ 26,872,986	\$ 27,873,618	\$ 23,016,019

See the accompanying notes to the financial statements

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities		
Contributions and special events	\$ 3,393,920	\$ 2,180,119
Interest	371,430	315,783
Operations	963,715	919,657
Payments to/on behalf of employees	(291,518)	(422,495)
Payments to suppliers	(1,734,085)	(1,929,588)
Payments to/on behalf of students for scholarships	(1,042,783)	(710,410)
Net cash provided by operating activities	<u>1,660,679</u>	<u>353,066</u>
 Cash flows from investing activities		
Proceeds from sale of boats and equipment	397,234	517,672
Acquisitions of boats and equipment	(22,010)	(40,348)
Purchase of investments	(3,883,700)	(2,528,773)
Proceeds from sale of investment	2,281,559	2,375,562
Net cash provided (used) by investing activities	<u>(1,226,917)</u>	<u>324,113</u>
 Net increase in cash and cash equivalents	433,762	677,179
Cash and cash equivalents, beginning of year	<u>933,471</u>	<u>256,292</u>
Cash and cash equivalents, end of year	<u>\$ 1,367,233</u>	<u>\$ 933,471</u>
 Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 4,857,599	\$ 3,325,245
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation expense	1,866,111	1,197,095
Realized and unrealized (gain) loss on investments	(1,547,290)	338,284
Non-cash contributions received	(3,810,797)	(4,976,012)
Loss on sale of donated items	179,108	292,474
Gain on sale of fixed assets	(50,425)	(10,889)
Change in value of split-interest agreement	(2,068)	36,676
Change in assets - (increase)/decrease:		
Accounts receivable	1,039	58,933
Pledge receivable	(8,400)	43,726
Contribution receivable from split-interest agreement	(147,505)	-
Notes receivable	23,700	-
Change in liabilities - increase/(decrease):		
Accounts payable	(10,038)	33,887
Charter deposits	250,000	-
Due to Coast Community College District	59,645	13,647
Net cash provided by operating activities	<u>\$ 1,660,679</u>	<u>\$ 353,066</u>
 Non-cash investments activities include:		
Equipment	\$ 3,678,102	\$ 4,841,750
Stock donations	132,695	134,262
Net non-cash investment activities	<u>\$ 3,810,797</u>	<u>\$ 4,976,012</u>

See the accompanying notes to the financial statements

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>
	Program	Management	Fundraising	Total	Total
	Services	& Services			
Donated services	\$ 187,821	\$ 224,341	\$ 109,562	\$ 521,724	\$ 557,748
Donated facilities	1,658			1,658	1,658
Donated equipment	132,695			132,695	134,262
Scholarships and grants	1,042,783			1,042,783	710,410
Salaries and benefits	351,163			351,163	436,142
Services - broker fees	83,515			83,515	151,768
Advertising and promotion	8,684	200		8,884	8,080
Office expenses	77,417	15,719		93,136	91,815
Occupancy	216,127			216,127	148,797
Travel	52,793	620		53,413	59,611
Conference and meetings	1,148	2,090		3,238	5,172
Depreciation	1,866,111			1,866,111	1,197,095
Insurance		12,147		12,147	11,079
Equipment	610,750	18,835		629,585	849,283
Hospitality	30,434	7,420		37,854	52,011
Management fees	83,543	3,970		87,513	58,433
Bank charges and fees	93,564	1,437		95,001	76,265
Contract services	63,107			63,107	89,453
Special events				-	1,498
Program expenses	478,750			478,750	304,814
Other expenses	105,355	93,935		199,290	113,829
Total	<u>\$ 5,487,418</u>	<u>\$ 380,714</u>	<u>\$ 109,562</u>	<u>\$ 5,977,694</u>	<u>\$ 5,059,223</u>

See the accompanying notes to the financial statements

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

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 Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

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 2.10%. 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 Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

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 Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

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 year ended June 30, 2016.

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 February 5, 2018, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2017.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 3: CONCENTRATION OF CREDIT RISK

Deposits

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Foundation may not be able to recover its deposits. The Foundation occasionally has a need to maintain cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At June 30, 2017 and 2016, none of the Foundation's cash balance were 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, 2017 and 2016, 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.

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, 2017, the Foundation had no significant concentrations of credit risk.

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, 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, 2017.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 5: PLEDGES RECEIVABLE

Unconditional promises to give are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Receivable - less than one year	\$ 140,000	\$ 200,000
Receivable - one to five years	120,000	50,000
Gross unconditional pledges	260,000	250,000
Less: discount	(14,426)	(12,826)
Net pledge receivable	<u>\$ 245,574</u>	<u>\$ 237,174</u>

Pledges receivable have been discounted to present value using a discount rate of 2.10%.

NOTE 6: INVESTMENTS

Investments are recorded at cost at date of acquisition or fair value at date of donation. As of June 30, 2017 and 2016, investments are reported at fair value. Cost and fair values at June 30, 2017 and 2016 are as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Level 1				
Money market	\$ 122,271	\$ 122,271	\$ 294,583	\$ 294,583
Fixed income	5,133,528	5,124,205	4,843,508	4,844,926
Marketable equity	9,272,668	11,139,720	7,729,627	8,229,021
Level 3				
Real estate	593,331	679,098	476,132	557,130
Venture capital/partnership	322,813	364,560	233,800	260,821
Hedge fund	757,885	760,123	500,000	577,606
Total	<u>\$ 16,202,496</u>	<u>\$ 18,189,977</u>	<u>\$ 14,077,650</u>	<u>\$ 14,764,087</u>

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

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 6: INVESTMENTS

Investment return for the years ended June 30, 2017 and 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Investment income, net of expense	\$ 371,430.00	\$ 315,783
Net realized gain (loss)	325,470	(35,608)
Net unrealized gain (loss)	<u>1,221,820</u>	<u>(302,676)</u>
Total	<u>\$ 1,918,720</u>	<u>\$ (22,501)</u>

The fair value of the Foundation's investments in certain real estate, venture capital/partnerships and hedge funds have been reported using the exchange rates or local market prices as reported by the management of the respective alternative investment. Therefore, the amounts reported by the alternative investment fund are classified as Level 3.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

	<u>Real Estate</u>	<u>Venture Capital/ Partnership</u>	<u>Hedge Fund</u>	<u>Total</u>
Balance at July 1, 2016	\$ 557,130	\$ 260,821	\$ 577,606	\$ 1,395,557
Total gains or losses for the period	4,769	14,726	(75,368)	(55,873)
Purchases and sales				
Purchases	122,000	116,963	757,885	996,848
Sales	(4,801)	(27,950)	(500,000)	(532,751)
Transfer to level 1				-
Balance at June 30, 2017	<u>\$ 679,098</u>	<u>\$ 364,560</u>	<u>\$ 760,123</u>	<u>\$ 1,803,781</u>
Gains and losses for the period included in the change in unrestricted net assets	\$ 199	\$	\$ 117,885	\$ 118,084
Change in unrealized gain and losses for the period included in the change in net assets, for assets held at the end of the reporting period	<u>4,570</u>	<u>14,726</u>	<u>(193,253)</u>	<u>(173,957)</u>
Total gains (losses) for the period	<u>\$ 4,769</u>	<u>\$ 14,726</u>	<u>\$ (75,368)</u>	<u>\$ (55,873)</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

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

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

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, 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 year ended June 30, 2017 and summarized information for the year ended June 30, 2016 are presented below:

	<u>June 30, 2017</u>			<u>June 30, 2016</u>
	<u>Temporary</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
	<u>Restricted</u>	<u>Restricted</u>		
Investments with FCCC, beginning of year	\$ (485)	\$ 22,486	\$ 22,001	\$ 24,558.00
Investment return:				
Investment income, net of expenses	415		415	427
Net appreciation (realized and unrealized)	2,269		2,269	(984)
Total investment return	<u>2,684</u>	<u>-</u>	<u>2,684</u>	<u>(557)</u>
Disbursements				
Fund distribution	(1,467)		(1,467)	(2,000)
Total disbursements	<u>(1,467)</u>	<u>-</u>	<u>(1,467)</u>	<u>(2,000)</u>
Change in value, FCCC investments	<u>1,217</u>	<u>-</u>	<u>1,217</u>	<u>(2,557)</u>
Investments with FCCC, end of year	<u>\$ 732</u>	<u>\$ 22,486</u>	<u>\$ 23,218</u>	<u>\$ 22,001</u>

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.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	Balance July 1, 2016	Additions	Transfers and Deletions	Balance June 30, 2017
Capital assets				
Non-depreciable:				
Land	\$ 10,000	\$	\$ (10,000)	\$ -
Depreciable:				
Equipment	518,113	3,991,630	(4,021,390)	488,353
Boats	8,570,407	4,696,250	(2,011,400)	11,255,257
Total costs and donated assets	9,098,520	8,687,880	(6,042,790)	11,743,610
Accumulated depreciation				
Equipment	(79,240)	(13,627)		(92,867)
Boats	(2,360,152)	(1,852,484)	384,059	(3,828,577)
Total accumulated depreciation	(2,439,392)	(1,866,111)	384,059	(3,921,444)
Net property and equipment	\$ 6,659,128	\$ 6,821,769	\$ (5,658,731)	\$ 7,822,166
Assets held for sale	\$ 98,298	\$ 28,350	\$ (25,000)	\$ 101,648

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, 2017 and 2016, the carrying value is \$101,648 and \$98,298, 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

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NOTE 10: SALE OF DONATED ASSETS

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, 2017 and 2016 is as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net proceeds from sale	\$ 397,234	\$ 653,239
Less net value*	(576,342)	(945,713)
Net gain(loss) on sale	<u>\$ (179,108)</u>	<u>\$ (292,474)</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 2016-17, charter fees and depreciation expenses were \$831,688 and \$1,373,514, respectively. During the fiscal year 2015-16, charter fees and depreciation expenses were \$804,170 and \$751,017, respectively.

NOTE 12: RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

Temporary restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Scholarships and grants	\$ 5,083,574	\$ 4,668,503
College and student assistance	19,742,589	14,944,098
Capital projects:		
Art pavilion	59,984	54,963
Recycling center	410,707	404,463
Planetarium	665,920	506,754
Sailing center expansion	910,212	1,438,764
Total	<u>\$ 26,872,986</u>	<u>\$ 22,017,545</u>

NOTE 13: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$4,339,978 were released from temporary donor restrictions during the fiscal year 2016-17. The Foundation met donor imposed restrictions by incurring qualified expenses.

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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 2016-17 and 2015-16, the Foundation received distributions and investment income of approximately \$31,600 and \$31,900, respectively, from this trust. At June 30, 2017 and 2016, the Foundation's estimated net present value of their share was \$479,361 and \$331,856, respectively.

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 for the fiscal year 2016-17 and 2015-16 were valued at \$521,724 and \$557,748, respectively, and have been reflected in the financial statements as donated services. The donated facilities for the fiscal year 2016-17 and 2015-16 were valued at \$1,658 and have been reflected in the financial statements as donated facilities.