

ORANGE COAST COLLEGE FOUNDATION
(A Component Unit of Coast Community College District)

**Financial Statements
And Independent Auditor's Report
For the Fiscal Year Ended June 30, 2007**

**ORANGE COAST COLLEGE FOUNDATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR JUNE 30, 2007**

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Independent Auditor's Report

To the Board of Directors
Orange Coast College Foundation

We have audited the accompanying statement of financial position of the Orange Coast College Foundation ("Foundation") as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 13, 2007

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 195,645
Accounts receivable	5,139
Prepaid assets	6,000
Charitable remainder trust	36,136
Investments, at fair value	11,961,822
Assets available for sale	593,582
Capital assets, net	<u>5,840,812</u>
Total assets	<u><u>\$ 18,639,136</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 234,794
Deposits	52,000
Deferred revenue	<u>10,105</u>
Total liabilities	<u>296,899</u>

Net Assets

Unrestricted	40,016
Temporarily restricted	<u>18,302,221</u>
Total net assets	<u>18,342,237</u>
Total liabilities and net assets	<u><u>\$ 18,639,136</u></u>

The accompanying notes are an integral part of these financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Support:			
Contributions	\$ 78,718	\$ 1,623,154	\$ 1,701,872
Donated assets	1,595	1,778,191	1,779,786
Donated services	472,182	-	472,182
Donated facilities	19,898	-	19,898
	572,393	3,401,345	3,973,738
 Revenue:			
Sales	5,950	777,636	783,586
Interest and dividends	46,112	500,188	546,300
Realized gain (loss) on investments	(3,328)	463,003	459,675
Unrealized gain on investments	11,341	476,072	487,413
Charter fees	-	279,725	279,725
Miscellaneous fees	101,534	-	101,534
Loss on sales of capital assets	-	(1,137,568)	(1,137,568)
Total revenue	161,609	1,359,056	1,520,665
 Total support and revenue before net assets released from restrictions	734,002	4,760,401	5,494,403
 Net assets released from restrictions	4,539,013	(4,539,013)	-
 Total support and revenue	5,273,015	221,388	5,494,403
 Expenses			
Program services	4,526,399	-	4,526,399
Supporting services:			
Management and general	535,166	-	535,166
Fundraising	280,467	-	280,467
	5,342,032	-	5,342,032
 Total expenses	5,342,032	-	5,342,032
 Change in net assets	(69,017)	221,388	152,371
 Net assets			
Beginning, July 1	109,033	18,080,833	18,189,866
Ending, June 30	\$ 40,016	\$ 18,302,221	\$ 18,342,237

The accompanying notes are an integral part of these financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Fiscal Ended June 30, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 157,131	\$ 193,848	\$ 121,203	\$ 472,182
Rent expense	-	19,898	-	19,898
Scholarship payments	766,016	-	-	766,016
Special events	-	-	61,098	61,098
Service charge	91,672	-	-	91,672
Professional fees	266,287	968	-	267,255
Taxes	21,790	11,055	-	32,845
Student and college assistance	2,240,896	129,230	-	2,370,126
Printing	25,421	7,880	-	33,301
Public relations	16,373	5,127	-	21,500
Supplies	25,149	31,026	19,399	75,574
Seminars and conferences	6,118	-	-	6,118
Dues and memberships	-	736	-	736
Repair & maintenance	144,280	1,079	-	145,359
Depreciation	603,673	-	-	603,673
Ceremonies and events	59,477	8,341	-	67,818
General operating expenses	102,116	125,978	78,767	306,861
	<u>\$ 4,526,399</u>	<u>\$ 535,166</u>	<u>\$ 280,467</u>	<u>\$ 5,342,032</u>

The accompanying notes are an integral part of these financial statements.

ORANGE COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

Cash flows from operating activities

Change in net assets	\$ 152,371
Adjustment to reconcile change in net assets to net cash used by operating activities	
Depreciation	603,673
Realized and unrealized gain on investments	(947,088)
Loss on sales of capital assets	1,137,568
Donated assets	(1,779,786)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	7,408
Decrease in deposits	(39,000)
Increase in accounts payable	76,720
Decrease in deferred revenue	(147,833)
Net cash used by operating activities	(935,967)

Cash flows from investing activities

Proceeds from sale of capital assets/donated assets available for sale	593,950
Proceeds on the sale of investments	18,457,923
Purchase of investments	(18,316,823)
Net cash provided by investing activities	735,050
Net decrease in cash and cash equivalents	(200,917)
Cash and cash equivalents, beginning of year	396,562
Cash and cash equivalents, end of year	\$ 195,645

The accompanying notes are an integral part of these financial statements

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - ORGANIZATION

The Orange Coast College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit 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 principles 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 7267 (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 Orange Coast College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements 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 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.

Contributions

Contributions, including unconditional promises to give, are recorded as 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 the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charter Fees

The Foundation receives donated assets and leases them to third parties for a fee. These leases are operating leases with an option to purchase at the end of the lease. Therefore, the lease payments are recognized as revenue as earned, and the sale is recognized when the option is exercised. Any portion of charter fees paid in advance is deferred.

Donated Assets

The donated assets are recorded at fair market value at the date of donation.

Recognition of Donor Restricted Contributions

Donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments are recorded at fair value.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2007, management had determined all accounts receivable are fully collectible, and no allowance for doubtful accounts has been established.

Capital Assets and Depreciation

Purchased assets are recorded at cost and donated assets are recorded at their fair market value when donated. Depreciation for equipment and property in use is computed on a straight-line basis over an estimated useful life. The Foundation capitalizes all expenditures for equipment in excess of \$500. Idle assets or assets held for sale are not depreciated. The estimated useful life is computed as follows:

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	<u>Estimated Useful Life</u>
Building and Building Improvements	14 – 20
Boats	2 – 25
Equipment	4 – 6

Donated Services and Facilities

The Foundation records the value of services and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their fair market value of facilities for the year. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased or paid.

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.

Functional Allocations 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.

Income Taxes

The Foundation is a non-profit foundation exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Assets Available For Sale

Donated inventory available for sale recorded at fair market value includes boats and equipment held for auction.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$4,539,013 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 4 - RECEIVABLES

As of June 30, 2007, the Foundation accounts receivable balance was \$5,139.

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2007:

Assets Not Being Depreciated		
Land	\$	446,550
Total Assets Not Being Depreciated		<u>446,550</u>
Assets Being Depreciated		
Building and Building Improvement	\$	266,878
Boats		7,246,287
Equipment		47,233
Total Assets Being Depreciated		<u>7,560,398</u>
Total Assets		8,006,948
Less: Accumulated depreciation		<u>(2,166,136)</u>
Total	\$	<u><u>5,840,812</u></u>

Depreciation expense for the year was \$603,673.

NOTE 6 – INVESTMENTS

The Foundation adopted a statement of investment policy to protect and preserve the purchasing power of the Foundation's assets by earning a total return which is appropriate in light of time horizon, liquidity needs and risk tolerance, and to maximize total return with reasonable and acceptable levels of risk. Investments are presented in the financial statements at their aggregate fair value. The fair value of the marketable securities is based on quoted market values. Investments are comprised of money market funds, mutual funds and marketable equity securities.

The cost and fair values at June 30, 2007 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 815,382	\$ 815,857
Fixed Income Securities	601,094	603,875
Fixed Income Mutual Funds	2,891,836	2,823,843
Common Stock	4,188,792	4,487,611
Exchange Traded Funds	2,979,823	3,230,636
Total	<u>\$ 11,476,927</u>	<u>\$ 11,961,822</u>

NOTE 7 - RELATED PARTIES

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College. The Foundation receives gifts, property and funds to be used for the benefit of College, its programs, and any person or organization having an official relationship with the College.

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 7 - RELATED PARTIES (CONTINUED)

To assist the Foundation in carrying out this purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, secretary and accountant. In addition, working space for employees who perform administrative services for the Foundation are provided by the District at no charge. The donated services and facilities for fiscal year 2007 were \$472,182 and \$19,898 respectively and have been reflected in the financial statements as donated services and facilities.

Orange Coast College

The Foundation receives donated assets to be used for the benefit of the College, its programs and any person or organization having an official relationship with the College. The total amount of donated assets accepted by the Foundation on behalf of the College was \$134,839 which is not reflected in the financial statements.

NOTE 8 – INSURED DEPOSITS

The Foundation's cash deposits are contractually insured and collateralized in accordance with *California Government Code* requirements to secure its deposits by pledging government securities as collateral. The market value of pledged securities is equal 110 percent of an agency's deposits. At June 30, 2007, the bank balance for the Foundation of \$341,461 was entirely insured and collateralized as described above. The book balance for the Foundation was \$195,645.

NOTE 9 - BENEFICIAL INTEREST IN CHARITABLE GIFT ANNUITY

The Foundation received a donation in the form of a charitable gift annuity in October 2001. The residual portion of this donation in the amount of \$36,136 has been recorded as a contribution. Any portion of the annuity remaining at the death of the donor will be recognized as an additional contribution at that time. The annuity is being administered by the Community College League of California for the benefit of the Foundation. The gift was given to benefit the academic missions and programs of Orange Coast College to be allocated at the discretion of the college president and is included in the temporarily restricted net assets at June 30, 2007.

**ORANGE COAST COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2007, the total temporarily restricted net assets were \$18,302,221 and they are available for the following purposes:

Scholarships	\$ 3,137,417
Sailing/Marine Rabbit Island	3,629,372
Capital Projects:	
Arts Pavilion	361,518
Children's Center	736,973
Baseball Field House	56,926
Student & College Assistance	<u>10,380,015</u>
Total temporary restricted assets	<u><u>\$ 18,302,221</u></u>