

**Orange Coast College Foundation  
Audited Financial Statements  
For the Year Ended June 30, 2011  
with Report of Independent Auditors**

Orange Coast College Foundation  
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## Report of Independent Auditors

### To the Board of Directors of Orange Coast College Foundation

We have audited the accompanying statement of financial position of the Orange Coast College Foundation (a Component Unit of the Coast Community College District) as of June 30, 2011, and the related statements of activities, cash flows and functional expenses 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Foundation as of June 30, 2011, 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.

*Vasquez + Company LLP*

**Los Angeles, California**  
**November 30, 2011**

**Orange Coast College Foundation**  
**Statement of Financial Position**  
**June 30, 2011**

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**ASSETS**

Cash and cash equivalents	\$ 109,807
Prepaid expenses	25,000
Beneficial interest in charitable gift annuity	36,136
Investments	11,304,743
Assets held for sale	35,524
Capital assets, net	3,182,313
<b>Total assets</b>	<b>\$ <u>14,693,523</u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 29,382
Due to Coast Community College District	38,378
<b>Total liabilities</b>	<b><u>67,760</u></b>

**Net assets**

Unrestricted	145,475
Temporarily restricted	14,480,288
<b>Total net assets</b>	<b><u>14,625,763</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>14,693,523</u></b>

*See notes to financial statements.*

**Orange Coast College Foundation**  
**Statement of Activities**  
**Year ended June 30, 2011**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue</b>			
<b>Support:</b>			
Contributions	\$ 38,628	\$ 989,888	\$ 1,028,516
Donated assets	2,236	1,080,289	1,082,525
Donated services	483,819	-	483,819
Donated facilities	1,658	-	1,658
<b>Total support</b>	<b>526,341</b>	<b>2,070,177</b>	<b>2,596,518</b>
<b>Revenue:</b>			
Sales	1,300	296,323	297,623
Investment income	3,243	260,931	264,174
Realized gains/(loss) on sale of investments	610	81,413	82,023
Unrealized gains on investments	10,219	1,474,739	1,484,958
Charter fees	-	203,364	203,364
Other revenue	84,509	2,425	86,934
<b>Total revenue</b>	<b>99,881</b>	<b>2,319,195</b>	<b>2,419,076</b>
Total support and revenue before net assets released from restriction	626,222	4,389,372	5,015,594
Net assets released from restriction	3,013,685	(3,013,685)	-
<b>Total support and revenue</b>	<b>3,639,907</b>	<b>1,375,687</b>	<b>5,015,594</b>
<b>Expenses</b>			
Program services	3,133,899	-	3,133,899
Supporting services:			
Management and general	378,378	-	378,378
Fundraising	147,331	-	147,331
<b>Total expenses</b>	<b>3,659,608</b>	<b>-</b>	<b>3,659,608</b>
Change in net assets	(19,701)	1,375,687	1,355,986
<b>Net assets</b>			
Beginning of year	165,176	13,104,601	13,269,777
End of year	\$ 145,475	\$ 14,480,288	\$ 14,625,763

*See notes to financial statements.*

**Orange Coast College Foundation**  
**Statement of Cash Flows**  
**Year ended June 30, 2011**

**Cash flows from operating activities**

Contributions, fundraising and other income	\$	1,028,516
Interest		264,174
Operations		561,707
Cash paid for operating expenditures		(1,592,154)
Cash paid to students		(761,932)
<b>Net cash provided by (used in) operating activities</b>		<u>(499,689)</u>

**Cash flows from investing activities**

Proceeds from sale of vessels		98,609
Purchase of investments		(1,074,874)
Proceeds from sale of investments		1,507,886
<b>Net cash provided by (used in) investing activities</b>		<u>531,621</u>

**Net change in cash and cash equivalents** 31,932

**Cash and cash equivalents at beginning of year** 77,875

**Cash and cash equivalents at end of year** \$ 109,807

**Reconciliation of change in net assets to net cash used in operating activities**

Change in net assets	\$	1,355,986
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation		409,991
Realized and unrealized gain on investments		(1,566,981)
Non-cash contributions received		(585,707)
Changes in assets and liabilities:		
Decrease in accounts receivable		2,891
Decrease in accounts payable		(3,204)
Decrease in charter deposits		(19,000)
Decrease in due to Coast Community College District		(83,560)
Decrease in deferred revenue		(10,105)
<b>Net cash used in operating activities</b>	\$	<u><u>(499,689)</u></u>

*See notes to financial statements.*

**Orange Coast College Foundation**  
**Statement of Functional Expenses**  
**Year ended June 30, 2011**

Description	Program Activities	Management and General	Fundraising	Total
Donated services	\$ 174,175	\$ 208,042	\$ 101,602	\$ 483,819
Donated facilities	-	1,658	-	1,658
Scholarship payments	761,932	-	-	761,932
Advertising	564	-	-	564
Office expenses	66,011	7,046	-	73,057
Travel and conferences	2,418	874	-	3,292
Depreciation	409,991	-	-	409,991
College and student assistance	757,546	-	-	757,546
Professional fees	1,500	-	-	1,500
Repairs and maintenance	34,714	5,499	-	40,213
Ceremonies and events	88,840	6,639	6,576	102,055
Public relations	13,920	6,547	-	20,467
Taxes	28,505	10	-	28,515
Printing and postage	8,464	-	-	8,464
Dues and memberships	1,000	16,749	-	17,749
Permits and licenses	-	570	-	570
Service charges	71,306	-	-	71,306
Management fees	72,856	-	-	72,856
Equipment and rentals	103,474	2,085	-	105,559
General operating expenses	536,683	122,659	39,153	698,495
<b>Total</b>	<b>\$ 3,133,899</b>	<b>\$ 378,378</b>	<b>\$ 147,331</b>	<b>\$ 3,659,608</b>

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 Foundation's Board of Directors is 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.

**Method of Accounting**

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into the following three classes:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

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.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. At June 30, 2011, there were no material unconditional promises to give; therefore, no pledges receivable have been accrued in these financial statements. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.



**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalent**

Cash and cash equivalents are defined as cash in bank, certificates of deposit and highly liquid securities purchased with a maturity of three months or less.

**Investments**

Investments are recorded at fair value based on quoted market prices.

**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 fair 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.

**Tax Status**

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 an 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 (>50%) be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files information 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 by tax authorities for years before 2006.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Fair Value of Financial Instruments**

Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations of Credit Risk**

Financial instruments which subject the Foundation to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments, equity holdings of domestic and foreign corporations, and mutual funds which invest primarily in short-term government securities. The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000.

**Reporting Entity**

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units.

A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely, or almost entirely, for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Based upon the application of the criteria listed above, the Foundation has been identified as a component unit and has been included in the District's reporting entity.

**NOTE 2      BENEFICIAL INTEREST IN CHARITABLE GIFT ANNUITY**

The Foundation received a donation in the form of a charitable gift annuity. 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 is given to benefit the academic missions and programs of the College to be allocated at the discretion of the college president and is included in temporarily restricted net assets at June 30, 2011.

**NOTE 3      INVESTMENTS**

**Fair Value Measurements**

Fair value is defined as the price that the Foundation would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

The three-tier hierarchy of fair value inputs is summarized in the three broad levels listed as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Other significant observable inputs (including quoted prices of similar assets, interest rates and credit risk)

Level 3: Significant unobservable inputs (including Foundation's own assumptions in determining the fair value of assets)

**NOTE 3 INVESTMENTS (CONTINUED)**

The following summarizes the Foundation's investments by category in the fair value hierarchy:

Types of Investments	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Money market	\$ 808,195	\$ -	\$ -	\$ 808,195
Fixed income	2,768,572	-	-	2,768,572
Common stock	6,325,720	-	-	6,325,720
Others	1,402,256	-	-	1,402,256
<b>Total</b>	<b>\$ 11,304,743</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,304,743</b>

**NOTE 4 CAPITAL ASSETS**

The Foundation capitalizes all expenditures in excess of \$5,000 for property and equipment and records them at cost when acquired or fair value at time of donation. The provision for depreciation is computed using the straight-line method over the estimated useful lives, which range from four to twenty-five years. Capital assets at June 30, 2011 consisted of the following:

Capital assets:	Balance	Additions	Retirements	Balance
	July 1, 2010			June 30, 2011
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Equipment	-	108,205	-	108,205
Boats	4,559,049	473,412	(28,500)	5,003,961
Total cost	<u>4,569,049</u>	<u>581,617</u>	<u>(28,500)</u>	<u>5,122,166</u>
Accumulated depreciation:				
Boats	<u>(1,540,529)</u>	<u>(409,991)</u>	<u>10,667</u>	<u>(1,939,853)</u>
Net capital assets	<u>\$ 3,028,520</u>	<u>\$ 171,626</u>	<u>\$ (17,833)</u>	<u>\$ 3,182,313</u>
Assets held for sale	<u>\$ 251,356</u>	<u>\$ -</u>	<u>\$ (215,832)</u>	<u>\$ 35,524</u>

The costs of certain California Department of Boating and Waterways (DBW) owned vessels, 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 5 SALE OF DONATED CAPITAL 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 capital assets and depreciated as described in Note 4. Upon the disposal or sale of the fixed assets, the Foundation recognizes either a gain or loss from the disposal or sale of the donated assets.

**NOTE 6            RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

Temporarily restricted net assets consist of the following at June 30, 2011:

Scholarships and grants	\$	3,339,722
College and student assistance		9,717,950
Sailing program		1,229,911
Charitable gift annuity held by trustee		36,136
Capital projects:		
Art pavilion		3,653
Baseball field house		152,916
 Total	 \$	 <u>14,480,288</u>

**NOTE 7            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 \$26,000 from this trust. At June 30, 2011, the Foundation's share of the trust's fair value was approximately \$434,000. 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.

**NOTE 8            NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$3,013,685 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 9            RELATED PARTIES**

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The Foundation's primary purpose 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.

**NOTE 9 RELATED PARTIES (CONTINUED)**

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 2011 were valued at \$483,819 and \$1,658, respectively and have been reflected in the financial statements as donated services and facilities.

**NOTE 9 SUBSEQUENT EVENTS**

The Foundation has evaluated events or transactions that occurred subsequent to June 30, 2011 through November 30, 2011, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements. The Foundation has determined that no subsequent events required disclosure or adjustment to the accompanying financial statements.