

Orange Coast College Foundation
Audited Financial Statements
For the Years Ended June 30, 2012 and 2011
with Report of Independent Auditors

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Report of Independent Auditors

To the Board of Directors of
Orange Coast College Foundation

We have audited the accompanying statements of financial position of the Orange Coast College Foundation (a Component Unit of the Coast Community College District) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years 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 audits.

We conducted our audits 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 audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vasquez + Company LLP

Los Angeles, California
November 19, 2012

Orange Coast College Foundation
Statements of Financial Position

		June 30	
		2012	2011
ASSETS			
Cash and cash equivalents	\$	401,748	\$ 109,807
Prepaid expenses		27,470	25,000
Beneficial interest in charitable gift annuity		36,136	36,136
Investments		10,805,991	11,304,743
Assets held for sale		121,221	35,524
Capital assets, net		<u>4,048,815</u>	<u>3,182,313</u>
Total assets	\$	<u>15,441,381</u>	<u>\$ 14,693,523</u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	78,498	\$ 29,382
Charter deposits		100,000	-
Due to Coast Community College District		<u>28,441</u>	<u>38,378</u>
Total liabilities		<u>206,939</u>	<u>67,760</u>
 Net assets			
Unrestricted		458,582	145,475
Temporarily restricted		<u>14,775,860</u>	<u>14,480,288</u>
Total net assets		<u>15,234,442</u>	<u>14,625,763</u>
Total liabilities and net assets	\$	<u>15,441,381</u>	<u>\$ 14,693,523</u>

See notes to financial statements.

Orange Coast College Foundation
Statements of Activities

	Years ended June 30					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Support:						
Contributions	\$ 346,256	\$ 930,242	\$ 1,276,498	\$ 38,628	\$ 989,888	\$ 1,028,516
Donated assets	-	1,319,959	1,319,959	2,236.00	1,080,289	1,082,525
Donated services	472,301	-	472,301	483,819	-	483,819
Donated facilities	1,658	-	1,658	1,658	-	1,658
Total support	820,215	2,250,201	3,070,416	526,341	2,070,177	2,596,518
Revenue:						
Sales	1,000	190,414	191,414	1,300	296,323	297,623
Investment income	14,240	224,740	238,980	3,243	260,931	264,174
Realized gains/(loss) on sale of investments	(2,055)	(42,722)	(44,777)	610	81,413	82,023
Gain (Loss) on sale of donated fixed assets	-	260,171	260,171	-	-	-
Unrealized gains on investments	20,427	(79,022)	(58,595)	10,219	1,474,739	1,484,958
Charter fees	-	541,225	541,225	-	203,364	203,364
Other revenue	81,333	11,100	92,433	84,509	2,425	86,934
Total revenue	114,945	1,105,906	1,220,851	99,881	2,319,195	2,419,076
Total support and revenue before net assets released from restriction	935,160	3,356,107	4,291,267	626,222	4,389,372	5,015,594
Net assets released from restriction	3,060,535	(3,060,535)	-	3,013,685	(3,013,685)	-
Total support and revenue	3,995,695	295,572	4,291,267	3,639,907	1,375,687	5,015,594
Expenses						
Program services	3,120,614	-	3,120,614	3,133,899	-	3,133,899
Supporting services:						
Management and general	349,086	-	349,086	378,378	-	378,378
Fundraising	212,888	-	212,888	147,331	-	147,331
Total expenses	3,682,588	-	3,682,588	3,659,608	-	3,659,608
Change in net assets	313,107	295,572	608,679	(19,701)	1,375,687	1,355,986
Net assets						
Beginning of year	145,475	14,480,288	14,625,763	165,176	13,104,601	13,269,777
End of year	\$ 458,582	\$ 14,775,860	\$ 15,234,442	\$ 145,475	\$ 14,480,288	\$ 14,625,763

See notes to financial statements.

Orange Coast College Foundation
Statements of Cash Flows

	Years ended June 30	
	2012	2011
Cash flows from operating activities		
Contributions, fundraising and other income	\$ 1,276,498	\$ 1,028,516
Interest	238,980	264,174
Operations	925,072	561,707
Cash paid for operating expenditures	(1,847,874)	(1,592,154)
Cash paid to students	(729,703)	(761,932)
Net cash used in operating activities	(137,027)	(499,689)
Cash flows from investing activities		
Proceeds from sale of vessels	-	98,609
Purchase of investments	(1,043,646)	(1,074,874)
Proceeds from sale of investments	1,472,614	1,507,886
Net cash provided by investing activities	428,968	531,621
Net change in cash and cash equivalents	291,941	31,932
Cash and cash equivalents at beginning of year	109,807	77,875
Cash and cash equivalents at end of year	\$ 401,748	\$ 109,807
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 608,679	\$ 1,355,986
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	594,343	409,991
Net realized and unrealized gain on investments and donated assets	(156,799)	(1,566,981)
Non-cash contributions received	(1,319,959)	(585,707)
Changes in assets and liabilities:		
Decrease in accounts receivable	-	2,891
Increase in prepaid expenses	(2,470)	-
Increase in accounts payable	49,116	(3,204)
Increase (decrease) in charter deposits	100,000	(19,000)
Decrease in due to Coast Community College District	(9,937)	(83,560)
Decrease in deferred revenue	-	(10,105)
Net cash used in operating activities	\$ (137,027)	\$ (499,689)

See notes to financial statements.

Orange Coast College Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

Year ended June 30, 2012

Description	Program Activities	Management and General	Fundraising	Total
Donated services	\$ 170,029	\$ 203,089	\$ 99,183	\$ 472,301
Donated facilities	-	1,658	-	1,658
Scholarship payments	729,703	-	-	729,703
Advertising	350	-	-	350
Office expenses	34,610	6,021	-	40,631
Travel and conferences	3,447	-	-	3,447
Depreciation	594,343	-	-	594,343
College and student assistance	643,883	-	-	643,883
Repairs and maintenance	47,217	2,648	-	49,865
Ceremonies and events	79,481	93,390	88,334	261,205
Public relations	4,992	-	-	4,992
Taxes	2,867	7,343	-	10,210
Printing and postage	9,285	-	-	9,285
Dues and memberships	580	10,139	-	10,719
Permits and licenses	-	220	-	220
Service charges	63,444	-	-	63,444
Management fees	70,193	-	-	70,193
Equipment and rentals	19,099	-	-	19,099
General operating expenses	647,091	24,578	25,371	697,040
Total	\$ 3,120,614	\$ 349,086	\$ 212,888	\$ 3,682,588

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
Total	\$ 3,133,899	\$ 378,378	\$ 147,331	\$ 3,659,608

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, 2012, 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 2007.

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, 2012.

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, 2012			
	Level 1	Level 2	Level 3	Total
Money market	\$ 1,331,305	\$ -	\$ -	\$ 1,331,305
Fixed income	4,062,748	-	-	4,062,748
Common stock	5,148,945	-	-	5,148,945
Others	262,994	-	-	262,994
Total	\$ 10,805,991	\$ -	\$ -	\$ 10,805,991

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
Total	\$ 11,304,743	\$ -	\$ -	\$ 11,304,743

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, 2012 and 2011 consisted of the following:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Equipment	108,205		(44,705)	63,500
Boats	5,003,961	1,944,162	(811,896)	6,136,227
Total cost	5,122,166	1,944,162	(856,601)	6,209,727
Accumulated depreciation:				
Equipment	-	(4,000)	-	(4,000)
Boats	(1,939,853)	(594,343)	377,284	(2,156,912)
	<u>(1,939,853)</u>	<u>(598,343)</u>	<u>377,284</u>	<u>(2,160,912)</u>
Net capital assets	\$ 3,182,313	\$ 1,349,819	(479,317)	\$ 4,048,815
Assets held for sale	\$ 35,524	\$ 87,972	(2,275)	\$ 121,221

Orange Coast College Foundation
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Capital Assets:				
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>	10,667	<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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Scholarships and grants	\$ 3,402,202	\$ 3,339,722
College and student assistance	9,996,912	9,717,950
Charitable gift annuity held by trustee	36,136	36,136
Capital projects:		
Art pavilion	3,501	3,653
Baseball field house	4,936	152,916
Sailing center expansion	1,332,173	1,229,911
Total \$	<u>14,775,860</u>	<u>\$ 14,480,288</u>

NOTE 7 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 \$29,000 from this trust. At June 30, 2012, the Foundation's share of the trust's fair value was approximately \$445,000. 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.

Foundation For California Community Colleges- Osher Fund

From 2009- 2011 the Foundation for California Community Colleges participated in a scholarship matching grant program from the Bernard Osher Foundations. As a result of contributions from donors, the OCC Foundation holds a beneficial interest in approximately \$33,000 of funds whose earnings provide scholarships for OCC students.

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$3,060,535 and \$3,013,685 were released from temporary donor restrictions during the fiscal years ended June 30, 2012 and 2011, respectively. 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 2012 were valued at \$472,301 and \$1,658, respectively, and have been reflected in the financial statements as donated services and facilities.

NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated events or transactions that occurred subsequent to June 30, 2012 through November 19, 2012, 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.