



Financial Statements  
June 30, 2024

# Orange Coast College Foundation



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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

Board of Directors  
Orange Coast College Foundation  
Costa Mesa, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Orange Coast College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Orange Coast College Foundation as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Correction of Error*

As discussed in Note 11 to the financial statements, the net assets as of July 1, 2023 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Eide Bailly LLP*

Rancho Cucamonga, California  
November 13, 2024

Orange Coast College Foundation  
Statement of Financial Position  
June 30, 2024

|  |  |               |
|--|--|---------------|
| Assets   |  |               |
| Current assets   |  |               |
| Cash   |  | \$ 5,427,046  |
| Accounts receivable  |  | 5,425         |
| Prepaid expenses   |  | 25,000        |
| Operating investments  |  | 711,523       |
|  |  | 6,168,994     |
| Total current assets   |  | 6,168,994     |
| Noncurrent assets  |  |               |
| Split-interest agreements  |  | 353,100       |
| Investments  |  | 33,927,168    |
| Beneficial interest in assets held by the Foundation<br>for California Community Colleges (FCCC) |  | 25,511        |
| Assets held for sale   |  | 76,550        |
| Property and equipment, net  |  | 9,224,993     |
|  |  | 43,607,322    |
| Total noncurrent assets  |  | 43,607,322    |
| Total assets   |  | \$ 49,776,316 |
| Liabilities and Net Assets   |  |               |
| Current liabilities  |  |               |
| Accounts payable   |  | \$ 78,529     |
| Accrued expenses   |  | 26,131        |
| Deferred revenue   |  | 546,274       |
| Designated scholarships payable  |  | 559,933       |
|  |  | 1,210,867     |
| Total current liabilities  |  | 1,210,867     |
| Net Assets   |  |               |
| Without donor restrictions   |  | 3,868,594     |
| With donor restrictions  |  | 44,696,855    |
|  |  | 48,565,449    |
| Total net assets   |  | 48,565,449    |
| Total liabilities and net assets   |  | \$ 49,776,316 |

Orange Coast College Foundation  
Statement of Activities  
Year Ended June 30, 2024

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>  |                               |                            |                      |
| Contributions  | \$ 131,152                    | \$ 5,514,026               | \$ 5,645,178         |
| Program related sales                                    | -                             | 136,714                    | 136,714              |
| Charter fees   | -                             | 740,088                    | 740,088              |
| Donated services   | 934,194                       | -                          | 934,194              |
| Donated facilities                                       | 19,898                        | -                          | 19,898               |
| Donated vessels  | -                             | 3,295,690                  | 3,295,690            |
| In-kind donations  | -                             | 214,658                    | 214,658              |
| Miscellaneous revenue                                    | 17,688                        | 10,539                     | 28,227               |
| Net assets released from restrictions - management fee   | 313,506                       | (313,506)                  | -                    |
| Net assets released from restrictions                    | 8,545,916                     | (8,545,916)                | -                    |
| <b>Total revenues</b>                                    | <b>9,962,354</b>              | <b>1,052,293</b>           | <b>11,014,647</b>    |
| <b>Expenses</b>  |                               |                            |                      |
| Program  | 8,901,621                     | -                          | 8,901,621            |
| Management and general                                   | 629,235                       | -                          | 629,235              |
| Fundraising  | 196,181                       | -                          | 196,181              |
| <b>Total expenses</b>                                    | <b>9,727,037</b>              | <b>-</b>                   | <b>9,727,037</b>     |
| <b>Other Income (Losses)</b>                             |                               |                            |                      |
| Investment income, net of expenses                       | 218,202                       | 3,137,301                  | 3,355,503            |
| Loss on sale of donated assets                           | -                             | (2,577,583)                | (2,577,583)          |
| Change in split-interest agreement                       | -                             | 176,383                    | 176,383              |
| Change in beneficial interest in assets held by the FCCC | -                             | 1,756                      | 1,756                |
| <b>Total other income (losses)</b>                       | <b>218,202</b>                | <b>737,857</b>             | <b>956,059</b>       |
| <b>Change in Net Assets</b>                              | <b>453,519</b>                | <b>1,790,150</b>           | <b>2,243,669</b>     |
| <b>Net Assets, Beginning of Year, as restated</b>        | <b>3,415,075</b>              | <b>42,906,705</b>          | <b>46,321,780</b>    |
| <b>Net Assets, End of Year</b>                           | <b>\$ 3,868,594</b>           | <b>\$ 44,696,855</b>       | <b>\$ 48,565,449</b> |

**Orange Coast College Foundation**  
Statement of Functional Expenses  
Year Ended June 30, 2024

|  | Student and<br>College Support | Sailing<br>Program  | Total Program<br>Services | Management &<br>General | Fundraising       | Total               |
|--|--------------------------------|---------------------|---------------------------|-------------------------|-------------------|---------------------|
| Donated services                       | \$ 336,310                     | -                   | \$ 336,310                | \$ 401,703              | \$ 196,181        | \$ 934,194          |
| Donated facilities                     | 19,898                         | -                   | 19,898                    | -                       | -                 | 19,898              |
| In-kind contributions                  | 214,658                        | -                   | 214,658                   | -                       | -                 | 214,658             |
| Scholarships and grants                | 801,178                        | -                   | 801,178                   | -                       | -                 | 801,178             |
| Salaries and benefits                  | -                              | 223,836             | 223,836                   | -                       | -                 | 223,836             |
| Services - legal                       | -                              | 5,275               | 5,275                     | -                       | -                 | 5,275               |
| Services - other                       | -                              | 93,527              | 93,527                    | 63,368                  | -                 | 156,895             |
| Broker fees                            | -                              | 375,146             | 375,146                   | -                       | -                 | 375,146             |
| Advertising and promotion              | 105                            | 285                 | 390                       | -                       | -                 | 390                 |
| Office expenses                        | 135,086                        | 1,255               | 136,341                   | 31,838                  | -                 | 168,179             |
| Moorage                                | -                              | 184,351             | 184,351                   | 1,848                   | -                 | 186,199             |
| Travel                                 | 33,315                         | 7,673               | 40,988                    | 69                      | -                 | 41,057              |
| Conferences and meetings               | 3,090                          | -                   | 3,090                     | 749                     | -                 | 3,839               |
| Depreciation                           | -                              | 3,548,116           | 3,548,116                 | -                       | -                 | 3,548,116           |
| Insurance                              | -                              | -                   | -                         | 3,634                   | -                 | 3,634               |
| Equipment                              | 436,571                        | 241,791             | 678,362                   | 487                     | -                 | 678,849             |
| Hospitality                            | 89,641                         | 34,688              | 124,329                   | 38,187                  | -                 | 162,516             |
| Bank charges and fees                  | 11,511                         | -                   | 11,511                    | 951                     | -                 | 12,462              |
| Contract services                      | 288,927                        | -                   | 288,927                   | -                       | -                 | 288,927             |
| College and program support            | 784,277                        | 257,934             | 1,042,211                 | 17,000                  | -                 | 1,059,211           |
| Construction, repairs and maintenance  | 718,459                        | -                   | 718,459                   | -                       | -                 | 718,459             |
| Permits, licenses, taxes and penalties | 1,642                          | 23,289              | 24,931                    | 425                     | -                 | 25,356              |
| Subscriptions and dues                 | 4,824                          | 13,807              | 18,631                    | 52,568                  | -                 | 71,199              |
| Other expenses                         | 12,205                         | (1,049)             | 11,156                    | 16,408                  | -                 | 27,564              |
| <b>Total Expenses</b>                  | <b>\$ 3,891,697</b>            | <b>\$ 5,009,924</b> | <b>\$ 8,901,621</b>       | <b>\$ 629,235</b>       | <b>\$ 196,181</b> | <b>\$ 9,727,037</b> |

Orange Coast College Foundation  
Statement of Cash Flows  
Year Ended June 30, 2024

|  |                     |
|--|---------------------|
| Operating Activities   |                     |
| Contributions  | \$ 5,645,178        |
| Other operating receipts   | 1,189,128           |
| Interest and dividends, net of fees  | 879,872             |
| Payments to/on behalf of District employees  | (223,836)           |
| Payments to suppliers  | (4,038,731)         |
| Payments to/on behalf of students  | (783,930)           |
|  | <u>2,667,681</u>    |
| Net Cash From Operating Activities   |                     |
| Investing Activities   |                     |
| Proceeds from the sale of donated assets   | 1,725,833           |
| Purchase of investments  | (15,779,870)        |
| Proceeds from sale of investments  | 13,194,355          |
|  | <u>(859,682)</u>    |
| Net Cash From Investing Activities   |                     |
| Change in Cash   |                     |
|  | 1,807,999           |
| Cash, Beginning of Year  |                     |
|  | <u>3,619,047</u>    |
| Cash, End of Year  |                     |
|  | <u>\$ 5,427,046</u> |
| Reconciliation of Change in Net Assets to Net Cash From Operating Activities                     |                     |
| Change in net assets   | \$ 2,243,669        |
| Adjustments to reconcile change in net assets to net cash from operating activities              |                     |
| Depreciation expense   | 3,548,116           |
| Donated vessels  | (3,295,690)         |
| Net unrealized gain on investments   | (659,832)           |
| Realized gain on investments   | (1,815,799)         |
| Loss on sale of donated assets   | 2,577,583           |
| Change in charitable remainder trust   | (176,383)           |
| Change in beneficial interest in assets held by the Foundation for California Community Colleges | (1,756)             |
| Changes in assets and liabilities  |                     |
| Accounts payable   | 55,081              |
| Accrued expenses   | (108,655)           |
| Deferred revenue   | 284,099             |
| Designated scholarships  | 17,248              |
|  | <u>17,248</u>       |
| Net Cash Provided From Operating Activities  |                     |
|  | <u>\$ 2,667,681</u> |



## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

### **Organization and Nature of Activities**

The Orange Coast College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Corporation Law of the State of California. The Foundation was incorporated on August 7, 1984 with the 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 also maintains boats, many of which were donated to the Foundation, to use in the educational programs at the College.

### **Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financially interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program services.

### **Net Asset Accounting**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets available for use general operations and not subject to donor restrictions.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

### **Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024, the Foundation had approximately \$4,989,000 in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts.

Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation. 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 declines in market valuation. The Foundation maintains investment balances at financial institutions in excess of Securities Investor Protection Corporation (SIPC) limits. As of June 30, 2024, the Foundation had approximately \$34,139,000 in excess of SIPC insurance limits.

Concentration risk is managed by placing deposit and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

**Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, 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. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Certain boats donated to the Foundation may be chartered for a period of approximately two years, often with an option to purchase at the end of the contract. Charter fee revenue is recognized in the period in which the Foundation satisfies their obligations under the charter agreement. Program sales revenue is recognized at the time services are provided.

**Accounts Receivable**

Accounts receivable consists primarily of amounts due from related parties and donations receivable. Management has deemed all amounts as collectable; therefore, no allowance for uncollectible amounts is considered necessary.

**Contributions Receivable from Split-Interest Agreements**

The Foundation is the beneficiary of split-interest charitable gift annuity agreements for which the Foundation is not the administrator. The Foundation recognized the present value of the estimated future benefits of the agreements to be received as contribution revenue with donor-imposed restrictions and as a receivable when notified of the agreements. Contributions receivable from split-interest agreements totaled \$353,100 at June 30, 2024. The receivable represents the portion of the charitable gift annuity agreements for which the Foundation is the designated beneficiary. The contributions will be collected after the contributors' deaths.

**Beneficial Interest in Assets Held by FCCC**

The Foundation established an endowment fund that is perpetual in nature (the Fund) under the Foundation for California Community Colleges (FCCC) Osher Endowment and named the Foundation as beneficiary. The Foundation granted variance power to the FCCC, which allows the FCCC to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the FCCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the FCCC for the Foundation's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

**In-kind Contributions**

In-kind contributions include donated services, donated facilities and other in-kind contributions which are recorded at the fair values of the goods or services received (Note 9). Although a substantial number of volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

### **Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

### **Designated Scholarships Payable**

The Foundation acts as an intermediary to other organizations to distribute scholarships to students that the other organization has identified. Since the Foundation does not choose the recipient of the scholarship, it does not receive a contribution when they receive the assets, nor do they recognize scholarship expense when the funds are disbursed. Designated scholarships payable are recognized on the statement of financial position as a liability.

### **Allocation of Functional Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, based upon management's estimates on the basis of time and effort, donated service costs have been allocated among the programs, management and general, and fundraising activities.

### **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.

### Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the *California Revenue and Taxation Code*.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### Adoption of New Accounting Standard

As of July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision useful information about the expected losses on financial instruments. The impact of the adoption was not considered material to the financial statements.

### Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2024 through November 13, 2024, which is the date the financial statements were available to be issued and has determined there are no needed recognitions or disclosures.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise of the following:

|  |                            |
|--|----------------------------|
| Cash   | \$ 5,427,046               |
| Accounts receivable                              | 5,425                      |
| Operating investments                            | <u>711,523</u>             |
| Total financial assets available within one year | <u><u>\$ 6,143,994</u></u> |

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, such as money market funds. Donor-restricted investments are not available for general expenditure.

**Note 3 - Investments**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2024:

|                                      |                             |
|--------------------------------------|-----------------------------|
| Money market funds                   | \$ 540,025                  |
| Common stock                         | 16,371,516                  |
| Government bonds                     | 156,126                     |
| Corporate bonds                      | 5,442,212                   |
| Fixed income - exchange traded funds | 3,488,712                   |
| Equities - exchange traded funds     | 4,161,107                   |
| Real estate index fund               | 490,194                     |
| Private equity funds                 | 2,665,365                   |
| Hedge fund                           | <u>1,323,434</u>            |
| Total investments                    | <u><u>\$ 34,638,691</u></u> |

The following schedule summarizes the investment return and its classification in the statements of activities for the year ended June 30, 2024:

|  |                            |
|--|----------------------------|
| Realized gain on investments             | \$ 1,815,799               |
| Unrealized gain on investments           | 659,832                    |
| Interest and dividends                   | <u>984,422</u>             |
| Total investment income                  | 3,460,053                  |
| Investment expenses                      | <u>(104,550)</u>           |
| Total investment income, net of expenses | <u><u>\$ 3,355,503</u></u> |

**Note 4 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges (FCCC) is based on the fair values of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of investments in private equity funds and hedge funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2024:

|   | Level 1              | Level 2     | Level 3          | Total                |
|---|----------------------|-------------|------------------|----------------------|
| <b>Assets</b>                                       |                      |             |                  |                      |
| Money market funds                                  | \$ 540,025           | \$ -        | \$ -             | \$ 540,025           |
| Common stocks                                       | 16,371,516           | -           | -                | 16,371,516           |
| Government bonds                                    | 156,126              | -           | -                | 156,126              |
| Corporate bonds                                     | 5,442,212            | -           | -                | 5,442,212            |
| Fixed income - exchange traded funds                | 3,488,712            | -           | -                | 3,488,712            |
| Equities - exchange traded funds                    | 4,161,107            | -           | -                | 4,161,107            |
| Real estate index fund                              | 490,194              | -           | -                | 490,194              |
| Beneficial interest in assets held by FCCC          | -                    | -           | 25,511           | 25,511               |
| <b>Total</b>  | <b>\$ 30,649,892</b> | <b>\$ -</b> | <b>\$ 25,511</b> | <b>\$ 30,675,403</b> |
| Alternative investments measured at net asset value |                      |             |                  | <u>\$ 3,988,799</u>  |

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2024.

Alternative investments that are measured at fair value using NAV per share as a practical expedient are as follows as of June 30, 2024:

|                      | Fair Value          | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|----------------------|---------------------|----------------------|----------------------|--------------------------|
| Private equity funds | \$ 2,665,365        | \$ -                 | Monthly or Quarterly | 30-90 days               |
| Hedge fund           | 1,323,434           | -                    | Monthly or Quarterly | 30-90 days               |
| <b>Total</b>         | <b>\$ 3,988,799</b> | <b>\$ -</b>          |                      |                          |

Private Equity Funds – Funds focused on growth in equity. The funds’ investment objective is to achieve attractive risk-adjusted rates of return through investment in a diversified portfolio of assets.

Hedge Fund –The Fund’s investment objective is to achieve attractive risk-adjusted rates of return through investment in a diversified portfolio of assets. The Fund operates as a “fund-of-funds” investing, either directly or indirectly, in a group of funds or other pooled investment vehicles managed by investment advisers selected by the Fund’s investment manager. The Fund seeks to provide investors with exposure to alternative investment strategies by investing in diversified markets and instruments.



**Note 5 - Property and Equipment**

Property and equipment consist of the following at June 30, 2024:

|                               |  |                     |
|-------------------------------|--|---------------------|
| Boats                         |  | \$ 15,540,961       |
| Less accumulated depreciation |  | <u>(6,315,968)</u>  |
| Property and equipment, net   |  | <u>\$ 9,224,993</u> |

Depreciation expense of \$3,548,116 was incurred in the year ended June 30, 2024.

**Note 6 - Revenue from Contracts with Customers**

Receivables from contracts with customers are reported as accounts receivable. Contract liabilities are reported as deferred revenue in the Statement of Financial Position. There was no accounts receivable related to contract revenues as of July 1, 2023 and June 30, 2024. The beginning and ending balances for the deferred revenue were as follows for the year ended June 30, 2024.

|                  | <u>June 30, 2024</u> | <u>July 1, 2023</u> |
|------------------|----------------------|---------------------|
| Deferred revenue | <u>\$ 546,274</u>    | <u>\$ 262,175</u>   |

**Note 7 - Net Assets with Donor Restrictions**

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2024:

|   |  |                      |
|---|--|----------------------|
| Scholarships and grants                       |  | \$ 12,694,482        |
| College and student assistance                |  | 21,708,104           |
| Split interest agreement                      |  | 353,100              |
| Sailing program                               |  | 8,083,103            |
| Art pavilion                                  |  | 47,610               |
| Recycling center                              |  | 100,981              |
| Planetarium                                   |  | 180,943              |
| Sailing center expansion                      |  | 353,201              |
| Endowments - accumulated and unspent earnings |  | <u>71,945</u>        |
| Total   |  | <u>\$ 43,593,469</u> |

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2024:

|                    |  |                     |
|--------------------|--|---------------------|
| General endowments |  | \$ 1,077,875        |
| Osher endowment    |  | <u>25,511</u>       |
|                    |  | <u>\$ 1,103,386</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors. Net assets released from donor restrictions and net asset transfers were as follows for the year ended June 30, 2024:

|                          |                                   |
|--------------------------|-----------------------------------|
| Campus programs          | \$ 2,708,133                      |
| Scholarships             | 797,672                           |
| Sailing program          | 4,844,416                         |
| Art pavilion             | 33                                |
| Recycling center         | 4,741                             |
| Planetarium              | 3,977                             |
| Sailing center expansion | <u>186,944</u>                    |
| <b>Total</b>             | <b><u><u>\$ 8,545,916</u></u></b> |

**Note 8 - Endowments**

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2024, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The mission of the Foundation and the purpose of the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and/or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policy of the Foundation.

**Risk Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately five percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy**

The Foundation has a policy of appropriating for distribution each year five percent of the original contribution (corpus) which will be considered the floor and five percent of the total value (corpus plus income and any realized gains) which will be the ceiling. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. Spending is reviewed annually, and allocations are determined to allow continued growth. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2024.

Changes in endowment net assets as of June 30, 2024, are as follows:

|   | <u>With Donor<br/>Restrictions</u> |
|---|------------------------------------|
| Endowment net assets, beginning of year | \$ 671,849                         |
| Contributions                           | 500,000                            |
| Investment income, net of expenses      | 31,789                             |
| Management fee                          | (7,395)                            |
| Amounts appropriated for expenditures   | <u>(20,912)</u>                    |
| Endowment Net Assets, End of Year       | <u><u>\$ 1,175,331</u></u>         |

**Note 9 - In-kind Contributions**

The Foundation was given program and service support from the District. For the year ended June 30, 2024, the following contributed nonfinancial assets received from the District were recognized in the statement of activities:

|                    |                   |
|--------------------|-------------------|
| Donated services   | \$ 934,194        |
| Donated facilities | <u>19,898</u>     |
| Total              | <u>\$ 954,092</u> |

Donated services include the value of Foundation’s salaries and benefits paid for by the District as part of its agreement with the Foundation. Donated services are based on the fair value of comparable services provided by third parties. During the year, office space is provided by the District on behalf of the Foundation. Donated facilities are recorded at the estimated fair market value of the facilities for the year.

Additionally, the Foundation receives donations of non-cash items, such as equipment and boats, from various community members, businesses and foundations. The equipment and boats are integral to the training and education programs provided by the College. Equipment and other nonfinancial assets donated to the Foundation is passed through directly to the College for use in the educational programs. Boats donated to the Foundation are used by the Foundation’s sailing program for educational purposes or held for sale to further support the Foundation’s missions. Contributed goods are recorded at fair value at the date of donation. For the year ended June 30, 2024, the following contributed nonfinancial assets received from donors were recognized in the statement of activities:

|  |                     |
|--|---------------------|
| Donated vessels used in and for the benefit of the Sailing program | \$ 3,295,690        |
| In-kind donated assets passed through to the District              | <u>214,658</u>      |
| Total  | <u>\$ 3,510,348</u> |

During the year ended June 30, 2024, donated services and facilities received from the District were received without donor restriction, while donated vessels and other in-kind donated assets were received with donor restriction.

**Note 10 - Related Party Transactions**

**Coast Community College District (the District)**

The Foundation was organized as an Auxiliary organization under California *Education Code* and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The primary purpose of the Foundation is to assist the institutional development and encourage community support to Orange Coast Community 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. In return, the Foundation provides various levels of monetary support and service to the College. These transactions are recorded within the financial statements as scholarships and grants.

As part of the master agreement, the District pays for the salaries and benefits of the Foundation’s personnel. For the year ended June 30, 2024, the donated salaries were valued at \$934,194. In addition, the District also provides office space to the Foundation, which was valued at \$19,898, for the fiscal year ended June 30, 2024.

**Note 11 - Restatement of Net Assets**

As a result of certain accounting errors in the prior year, the opening balance of the Foundation’s net assets as of July 1, 2023, was restated as follows:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Net Assets, July 1, 2023, as previously reported | \$ 3,979,227                  | \$ 43,461,617              | \$ 47,440,844 |
| Property and equipment, net                      | -                             | (1,119,064)                | (1,119,064)   |
| Classification of net assets                     | (564,152)                     | 564,152                    | -             |
| Net Assets, July 1, 2023, as restated            | \$ 3,415,075                  | \$ 42,906,705              | \$ 46,321,780 |

The change in net assets for the year ended June 30, 2023, as previously reported, was overstated by \$534,228 as a result of these errors.

