

ORANGE COAST COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2022 and 2021

ORANGE COAST COLLEGE FOUNDATION

FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange Coast College Foundation
Costa Mesa, California

Opinion

We have audited the financial statements of the Orange Coast College Foundation (“the Foundation”), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years 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 the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

(Continued)

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.


Crowe LLP

Costa Mesa, California
December 13, 2022

ORANGE COAST COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,581,693	\$ 1,475,333
Accounts receivable	5,425	5,425
Pledges receivable	-	48,866
Prepaid expenses	<u>25,000</u>	<u>25,000</u>
Total current assets	<u>3,612,118</u>	<u>1,554,624</u>
Non-current assets:		
Receivable for split-interest agreement	168,029	526,726
Operating investments, at fair value	569,872	619,893
Investments, at fair value	26,367,193	28,266,832
Investments held with FCCC	23,098	27,526
Assets held for sale	36,600	75,320
Property and equipment, net	<u>15,065,805</u>	<u>14,140,454</u>
Total non-current assets	<u>42,230,597</u>	<u>43,656,751</u>
Total assets	<u>\$ 45,842,715</u>	<u>\$ 45,211,375</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 29,656	\$ 19,741
Designated scholarships	442,958	378,542
Deferred Revenue	710,938	-
Due to Coast Community College District	<u>-</u>	<u>59,855</u>
Total current liabilities	<u>1,183,552</u>	<u>458,138</u>
Net assets:		
Net assets without donor restrictions	2,310,288	963,540
Net assets with donor restrictions	<u>42,348,875</u>	<u>43,789,697</u>
Total net assets	<u>44,659,163</u>	<u>44,753,237</u>
Total liabilities and net assets	<u>\$ 45,842,715</u>	<u>\$ 45,211,375</u>

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Support			
Contributions	\$ 11,472	\$ 1,258,741	\$ 1,270,213
Fundraising for college programs	-	1,314,190	1,314,190
Program related sales	-	10,951	10,951
Management fees	101,902	-	101,902
Miscellaneous revenue	8,556	37,617	46,173
In-kind contributions	-	36,892	36,892
Donated vessels	-	6,101,079	6,101,079
Donated services	690,170	-	690,170
Donated facilities	19,898	-	19,898
Total support	<u>831,998</u>	<u>8,759,470</u>	<u>9,591,468</u>
Other income, gains and losses			
Charter fees	1,429,198	-	1,429,198
Gain on sale of donated assets	-	235,590	235,590
Investment income, net of expenses	23,966	470,072	494,038
Realized gain on investments	86,708	1,826,692	1,913,400
Unrealized loss on investments	(232,035)	(4,882,926)	(5,114,961)
Change in value for split-interest agreements	-	(358,697)	(358,697)
Change in value for investments held with FCCC	-	(4,428)	(4,428)
Total other income, gains, and losses	<u>1,307,837</u>	<u>(2,713,697)</u>	<u>(1,405,860)</u>
Total revenues before net assets released from restrictions	2,139,835	6,045,773	8,185,608
Net assets released from restrictions	<u>7,486,595</u>	<u>(7,486,595)</u>	<u>-</u>
Total support and revenues	<u>9,626,430</u>	<u>(1,440,822)</u>	<u>8,185,608</u>
Operating expenses			
Program services			
Student and college support	2,340,907	-	2,340,907
Sailing program	5,422,904	-	5,422,904
Supporting services			
Management and general	357,463	-	357,463
Fundraising	158,408	-	158,408
Total expenses	<u>8,279,682</u>	<u>-</u>	<u>8,279,682</u>
Change in net assets	<u>1,346,748</u>	<u>(1,440,822)</u>	<u>(94,074)</u>
Beginning of year	<u>963,540</u>	<u>43,789,697</u>	<u>44,753,237</u>
End of year	<u>\$ 2,310,288</u>	<u>\$ 42,348,875</u>	<u>\$ 44,659,163</u>

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Support			
Contributions	\$ 87,045	\$ 579,052	\$ 666,097
Fundraising for college programs	-	756,185	756,185
Program related sales	-	12,056	12,056
Management fees	166,541	-	166,541
Miscellaneous revenue	14,262	35,227	49,489
In-kind contributions	-	18,890	18,890
Donated vessels	-	10,469,109	10,469,109
Donated services	681,898	-	681,898
Donated facilities	19,898	-	19,898
Total support	<u>969,644</u>	<u>11,870,519</u>	<u>12,840,163</u>
Other income, gains and losses			
Charter fees	1,524,421	-	1,524,421
Gain on sale of donated assets	-	491,008	491,008
Investment income, net of expenses	18,746	353,214	371,960
Realized gain on investments	28,172	538,901	567,073
Unrealized gain on investments	227,567	4,901,584	5,129,151
Change in value for split-interest agreements	-	(40,996)	(40,996)
Change in value for investments held with FCCC	-	5,170	5,170
Total other income, gains, and losses	<u>1,798,906</u>	<u>6,248,881</u>	<u>8,047,787</u>
Total revenues before net assets released from restrictions	2,768,550	18,119,400	20,887,950
Net assets released from restrictions	<u>5,587,237</u>	<u>(5,587,237)</u>	<u>-</u>
Total support and revenues	<u>8,355,787</u>	<u>12,532,163</u>	<u>20,887,950</u>
Operating expenses			
Program services			
Student and college support	2,203,873	-	2,203,873
Sailing program	5,484,768	-	5,484,768
Supporting services			
Management and general	403,623	-	403,623
Fundraising	143,199	-	143,199
Total expenses	<u>8,235,463</u>	<u>-</u>	<u>8,235,463</u>
Change in net assets	<u>120,324</u>	<u>12,532,163</u>	<u>12,652,487</u>
Beginning of year	<u>843,216</u>	<u>31,257,534</u>	<u>32,100,750</u>
End of year	<u>\$ 963,540</u>	<u>\$ 43,789,697</u>	<u>\$ 44,753,237</u>

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Contributions and special events	\$ 1,317,567	\$ 996,212
Fundraising for college programs	1,314,190	756,185
Interest	506,501	371,960
Other operating activities and charter fees	2,288,211	1,740,451
Payments to/on behalf of employees	(395,439)	(262,562)
Payments to suppliers	(2,117,442)	(2,979,507)
Payments to/on behalf of students for scholarships	<u>(555,080)</u>	<u>(504,207)</u>
Net cash provided by operating activities	<u>2,358,508</u>	<u>118,532</u>
Cash flows from investing activities:		
Proceeds from sale of boats and equipment	764,184	52,897
Acquisitions of boats and equipment	235,569	1,019,062
Purchase of investments	(12,527,657)	(367,110)
Proceeds from sale of investments	<u>11,275,756</u>	<u>285,495</u>
Net cash provided by investing activities	<u>(252,148)</u>	<u>990,344</u>
Net increase in cash and cash equivalents	2,106,360	1,108,876
Cash and cash equivalents, beginning of year	<u>1,475,333</u>	<u>366,457</u>
Cash and cash equivalents, end of year	<u>\$ 3,581,693</u>	<u>\$ 1,475,333</u>
Reconciliation of change in net assets to cash provided by operating activities:		
Change in net assets	\$ (94,074)	\$ 12,652,487
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation expense	4,450,285	3,698,650
Realized and unrealized loss (gain) on investments	3,201,561	(5,696,224)
Non-cash contributions and donated vessels received	(6,101,079)	(10,428,113)
Gain on sale of donated assets	(235,590)	(491,008)
Change in value for split-interest agreements	358,697	40,996
Change in value for investments held with FCCC	4,428	(5,170)
Change in assets - (increase)/decrease:		
Accounts receivable	-	172,254
Pledge receivable	48,866	145,805
Contribution receivable from split-interest agreement	-	(40,996)
Change in liabilities - increase/(decrease):		
Accounts payable	74,331	9,996
Deferred revenue	710,938	-
Due to Coast Community College District	<u>(59,855)</u>	<u>59,855</u>
Net cash provided by operating activities	<u>\$ 2,358,508</u>	<u>\$ 118,532</u>
Non-cash investment activities include:		
Equipment and vessels	<u>\$ 6,137,971</u>	<u>\$ 3,983,785</u>

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2022

	Student and College Support	Sailing Program	Total Program Services	Management & Services	Fundraising	Total
Donated services	\$ 248,461	\$ -	\$ 248,461	\$ 296,773	\$ 144,936	\$ 690,170
Donated facilities	19,898	-	19,898	-	-	19,898
In-kind contributions	36,642	250	36,892	-	-	36,892
Scholarships and grants	619,496	-	619,496	-	-	619,496
Salaries and benefits	-	335,584	335,584	-	-	335,584
Advertising and promotion	1,325	-	1,325	-	-	1,325
Office expenses	30,491	659	31,150	5,014	-	36,164
Occupancy	11,040	117,074	128,114	1,414	-	129,528
Travel	6,862	221	7,083	15	-	7,098
Conference and meetings	2,733	350	3,083	25	-	3,108
Depreciation	-	4,450,285	4,450,285	-	-	4,450,285
Insurance	-	-	-	(6,299)	-	(6,299)
Equipment	78,140	170,900	249,040	-	-	249,040
Hospitality	79,918	4,703	84,621	8,075	-	92,696
Management fees	96,898	5,000	101,898	-	-	101,898
Bank charges and fees	9,187	455	9,642	802	-	10,444
Contract services	596,169	-	596,169	880	-	597,049
Program expenses	445,542	200,000	645,542	12,595	-	658,137
Permit, Licenses, Taxes & Penalties	600	122,616	123,216	405	-	123,621
Subscriptions & dues	8,260	10,015	18,275	29,660	-	47,935
Other expenses	4,310	4,792	9,102	8,104	13,472	30,678
Total	<u>\$ 2,340,907</u>	<u>\$ 5,422,904</u>	<u>\$ 7,763,811</u>	<u>\$ 357,463</u>	<u>\$ 158,408</u>	<u>\$ 8,279,682</u>

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2021

	Student and College Support	Sailing Program	Total Program Services	Management & Services	Fundraising	Total
Donated services	\$ 245,483	\$ -	\$ 245,483	\$ 293,216	\$ 143,199	\$ 681,898
Donated facilities	19,898	-	19,898	-	-	19,898
In-kind contributions	18,890	-	18,890	-	-	18,890
Scholarships and grants	561,150	-	561,150	-	-	561,150
Salaries and benefits	-	322,417	322,417	-	-	322,417
Services - other	-	-	-	-	-	-
Advertising and promotion	13,050	4,176	17,226	400	-	17,626
Office expenses	58,166	6,672	64,838	35,785	-	100,623
Occupancy	21,160	124,574	145,734	721	-	146,455
Travel	28	2,407	2,435	-	-	2,435
Conference and meetings	-	1,950	1,950	-	-	1,950
Depreciation	-	3,698,650	3,698,650	-	-	3,698,650
Insurance	-	-	-	22,374	-	22,374
Equipment	423,243	521,041	944,284	500	-	944,784
Hospitality	38,821	366	39,187	1,695	-	40,882
Management fees	156,543	10,000	166,543	-	-	166,543
Bank charges and fees	4,651	361	5,012	969	-	5,981
Contract services	359,332	-	359,332	4,373	-	363,705
Program expenses	223,318	17,898	241,216	-	-	241,216
Permit, Licenses, Taxes & Penalties	354	50,155	50,509	170	-	50,679
Subscriptions & dues	4,558	8,435	12,993	38,975	-	51,968
Other expenses	4,508	710,588	715,096	2,799	-	717,895
	<u>\$ 2,203,873</u>	<u>\$ 5,484,768</u>	<u>\$ 7,688,641</u>	<u>\$ 403,623</u>	<u>\$ 143,199</u>	<u>\$ 8,235,463</u>
Total						

See accompanying notes to financial statements.

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - ORGANIZATION

The Orange Coast College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Corporation Law of the State of California. The Foundation was incorporated on August 7, 1984 with the express purpose of promoting and assisting the educational programs of Orange Coast College (the College) in accordance with the mission, policies and priorities of the College as administered by its President. The Foundation conducts its operations in conformity with general regulations established by the Coast Community College District (the District) as required by the Education Code Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community. The Foundation maintains boats, many of which were donated, to use in the educational programs at the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

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

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and release from restrictions when the assets are placed in service. 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.

Cash and Cash Equivalents: Cash and cash equivalents are considered to be all cash available for immediate use. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds. Cash held temporarily in the long-term investment portfolio (until suitable investments are identified) is excluded from cash and cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are due in more than one year are recognized at fair value using present value discount rate representing the risk-free interest rate applicable to the years in which the promises are to be received. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of these pledges and determines the balances to be fully collectable. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year.

Split-Interest Agreement: The Foundation is the beneficiary of a charitable remainder trust. The terms and discount rates for this agreement is based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. The charitable remainder trust is administered by a third-party. Assets associated with the split-interest agreement are recognized at the present value of the estimated future benefits of the agreement.

Property and Equipment: Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Foundation maintains a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend an asset's life are not capitalized.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets. The estimated useful life for property and equipment is 5-10 years.

Accounts Payable: Accounts payable consists of amounts due to vendors, but not yet disbursed during the fiscal year.

Designated Scholarships: 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 the scholarship expense when the funds are disbursed. Designated scholarships are recognized on the statements of financial position as a liability.

Deferred Revenue: Certain boats donated to the Foundation may be leased for a period of approximately two years, with an option to purchase. Typically, charter fees revenue is recognized in the period cash is received, which materially approximates the period in which the Foundation satisfies its obligations under the charter agreement. For contracts with material up-front fees, the Foundation defers such revenue and recognizes it ratably over the term of the charter agreement. As of June 30, 2022, the Foundation recorded \$710,938 in deferred revenue. There was no deferred revenue as of June 30, 2021.

Contributions and Contributions Recognition: Contributions, including unconditional promises to give, are recorded when made. All contributions are available for use for operations unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donations, other than cash are recorded at estimated fair value at the time of the donation.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Equipment: Donated property and equipment are reflected as contributions in the accompanying statements at their estimated value at date of donation. For donated items with estimated values of \$5,000 or higher an appraisal is provided by the donor. This appraised value prepared by a third party is the basis for the value recognized for the in-kind contribution.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Most expenses are directly charged to the department or function incurring the expense. The expenses that are allocated include salaries and benefits, which are allocated based on management's estimate of time and effort among the programs and supporting services benefited.

Management Fee: The Foundation serves the Orange Coast College campus clubs, departments, and organizations by managing funds for scholarships and other purposes to promote education. These funds are assessed an annual management fee to cover the stewardship and administrative expenses. This fee is recognized as income without donor-imposed restrictions.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain reclassification have been made to conform to the current year presentation. The reclassifications have no effect on the previously reported net assets or change in net assets.

Income Taxes: The Foundation qualifies as a tax-exempt organization under the Internal Revenue Code Section 501 (c)(3) and California Revenue and Taxation Code 23701d.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event or any audit by taxing authorities at the federal and state levels.

The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination, therefore, no disclosures of uncertain income tax positions are required.

The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Foundation files and exempt informational return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Subsequent Events: The Foundation has evaluated subsequent events through December 13, 2022 which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition as of June 30, 2022.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,581,693	\$ 1,475,333
Accounts receivable	5,425	5,425
Pledges receivable, current portion	-	48,866
Investments	<u>26,960,163</u>	<u>28,914,251</u>
Total financial assets	30,547,281	30,443,875
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	(42,348,875)	(43,789,697)
Add back:		
Split interest agreement	168,029	526,726
Amount related to property and equipment	<u>16,133,405</u>	<u>14,207,904</u>
Amounts not available for general expenditure within one year	<u>(26,047,441)</u>	<u>(29,055,067)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,499,840</u>	<u>\$ 1,388,808</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, and long-term investments. The endowment fund consists of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for its specific purpose, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation's deposits in excess of the FDIC are insured. The collateral is held by the pledging bank's trust department, not in the Foundation's name.

Investments: Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2022 and 2021, the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

NOTE 5 - PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable - less than one year	\$ -	\$ 50,000
Receivable - one to five years	<u>-</u>	<u>-</u>
Gross unconditional pledges	-	50,000
Less discount	<u>-</u>	<u>(1,134)</u>
Net pledge receivable	<u>\$ -</u>	<u>\$ 48,866</u>

Pledges receivable have been discounted to present value using a discount rate of 1.56 percent.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - INVESTMENTS

Investments as of June 30 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2022</u>				
Money market	\$ 425,840	\$ -	\$ -	\$ 425,840
Fixed income	6,635,247	-	-	6,635,247
Marketable equity	15,929,062	-	-	15,929,062
Real estate	363,374	-	-	363,374
Venture capital/partnership	-	-	2,358,199	2,358,199
Hedge fund	-	-	1,225,343	1,225,343
Investment with FCCC	-	-	23,098	23,098
Subtotal	<u>23,353,523</u>	-	<u>3,606,640</u>	<u>26,960,163</u>
Split-interest agreement	-	-	<u>168,029</u>	<u>168,029</u>
	<u>\$ 23,353,523</u>	<u>\$ -</u>	<u>\$ 3,774,669</u>	<u>\$ 27,128,192</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>				
Money market	\$ 492,855	\$ -	\$ -	\$ 492,855
Fixed income	5,401,481	-	-	5,401,481
Marketable equity	19,686,450	-	-	19,686,450
Real estate	444,860	-	-	444,860
Venture capital/partnership	-	-	1,562,391	1,562,391
Hedge fund	-	-	1,298,688	1,298,688
Investment with FCCC	-	-	27,526	27,526
Subtotal	<u>26,025,646</u>	-	<u>2,888,605</u>	<u>28,914,251</u>
Split-interest agreement	-	-	<u>526,726</u>	<u>526,726</u>
	<u>\$ 26,025,646</u>	<u>\$ -</u>	<u>\$ 3,415,331</u>	<u>\$ 29,440,977</u>

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

Level 1 - quoted prices in an active market for identical assets. Level 1 investments include money market, fixed income, marketable equity, and real estate.

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

Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances. Level 3 investment include venture capital/partnership, hedge fund and investment with FCCC.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 - INVESTMENTS (Continued)

For venture capital/partnership funds, 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. Valuation of these interests is calculated using the estimated value of the underlying private equity funds in which it is invested. The average remaining life of these funds is 10 to 12 years. The redemption frequency for the investment is on a monthly or quarterly basis. The notice period for redemptions is 30-90 days.

For hedge funds, the fund's objective is to seek attractive risk-adjust 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 redemption frequency for the investment is on a monthly or quarterly basis. The notice period for redemptions is 30-95 days.

The table below presents a reconciliation for venture capital/partnership investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3-income approach) for the years ended June 30:

	<u>2022</u>	<u>2021</u>
<u>Venture capital/partnership</u>		
Balance, beginning of year	\$ 1,562,391	\$ 1,216,008
Unrealized gains	<u>795,808</u>	<u>346,383</u>
Balance, end of year	<u>\$ 2,358,199</u>	<u>\$ 1,562,391</u>

The table below presents a reconciliation for hedge funds investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3-income approach) for the years ended June 30:

	<u>2022</u>	<u>2021</u>
<u>Hedge fund</u>		
Balance, beginning of year	\$ 1,298,688	\$ 1,095,067
Unrealized gains (loss)	<u>(73,345)</u>	<u>203,621</u>
Balance, end of year	<u>\$ 1,225,343</u>	<u>\$ 1,298,688</u>

All unrealized gains reported in the tables above related to assets still held as of June 30, 2022 and 2021.

There were no transfers in or out of Level 3 during the years ended June 30, 2022 and 2021.

As of June 30, 2022 and 2021, the Foundation had unfunded commitments of \$1,148,005 and \$936,112, respectively, related to venture capital/partnerships and hedge funds.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 - INVESTMENTS (Continued)

Net investment return for the years ended June 30 consists of the following:

	<u>2022</u>	<u>2021</u>
Investment income, net of expense	\$ 506,501	\$ 371,960
Realized gain (loss) on investments	1,913,400	567,073
Unrealized gain (loss) on investments	<u>(5,114,961)</u>	<u>5,129,151</u>
 Net investment return	 <u>\$ (2,695,060)</u>	 <u>\$ 6,068,184</u>

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

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of \$22,486 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC (Level 3). At June 30, 2022 the fair value of this investment was \$23,098 , which consisted of cash of \$1,072, equity mutual funds of \$15,291 and fixed income mutual funds of \$6,735. At June 30, 2021 the fair value of this investment was \$27,526, which consisted of cash of \$1,376, equity mutual funds of \$18,992 and fixed income mutual funds of \$7,158.

Changes in investments held with FCCC for the fiscal year ended June 30, 2022 and 2021 are presented herein:

Balance, July 1, 2020	\$ 22,356	
Change in fair value		5,970
Distributions		<u>(800)</u>
 Balance, June 30, 2021		 27,526
Change in fair value		(3,628)
Distributions		<u>(800)</u>
 Balance, June 30, 2022		 <u>\$ 23,098</u>

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full-time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year. The Foundation received \$22,486 and \$22,486 from the Osher Scholarship Fund for the fiscal years ended June 30, 2022 and 2021, respectively, for scholarships.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8 - SPLIT-INTEREST AGREEMENT

The Foundation is the beneficiary of two split-interest 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 with donor restriction contribution revenue and as a receivable when notified of the agreements. At June 30, 2022 and 2021, the estimated net present value of the Foundation's share was \$168,029 and \$526,726, respectively.

NOTE 9 - PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021, property and equipment at consisted of the following:

	Balance <u>July 1, 2021</u>	Additions	Transfers and Deletions	Balance <u>June 30, 2022</u>
Equipment	\$ 591,671	\$ -	\$ (39,321)	\$ 552,350
Boats	<u>21,323,681</u>	<u>6,061,000</u>	<u>(4,065,973)</u>	<u>23,318,708</u>
Total costs and donated assets	<u>21,915,352</u>	<u>6,061,000</u>	<u>(4,105,294)</u>	<u>23,871,058</u>
Accumulated depreciation				
Equipment	-	-	-	-
Boats	<u>(7,774,898)</u>	<u>(4,450,285)</u>	<u>3,419,930</u>	<u>(8,805,253)</u>
Total accumulated depreciation	<u>(7,774,898)</u>	<u>(4,450,285)</u>	<u>3,419,930</u>	<u>(8,805,253)</u>
Net property and equipment	<u>\$ 14,140,454</u>	<u>\$ 1,610,715</u>	<u>\$ (685,364)</u>	<u>\$ 15,065,805</u>
	Balance <u>July 1, 2020</u>	Additions	Transfers and Deletions	Balance <u>June 30, 2021</u>
Equipment	\$ 681,473	\$ -	\$ (89,802)	\$ 591,671
Boats	<u>13,689,717</u>	<u>11,631,217</u>	<u>(3,997,253)</u>	<u>21,323,681</u>
Total costs and donated assets	<u>14,371,190</u>	<u>11,631,217</u>	<u>(4,087,055)</u>	<u>21,915,352</u>
Accumulated depreciation				
Equipment	(106,596)	-	(106,596)	-
Boats	<u>(6,273,428)</u>	<u>(3,698,650)</u>	<u>2,197,180</u>	<u>(7,774,898)</u>
Total accumulated depreciation	<u>(6,380,024)</u>	<u>(3,698,650)</u>	<u>2,090,584</u>	<u>(7,774,898)</u>
Net property and equipment	<u>\$ 7,991,166</u>	<u>\$ 7,932,567</u>	<u>\$ (1,996,471)</u>	<u>\$ 14,140,454</u>

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10 - ASSETS HELD FOR SALE

The Foundation accepts boats and marine equipment to support the College's School of Sailing and Seamanship (the School). Boats and marine equipment not used in the program are held for sale. As of June 30, 2022 and 2021, the carrying value is \$36,600 and \$75,320, respectively.

NOTE 11 - SALE OF DONATED 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 property and equipment and depreciated as described in Note 2. Upon the disposal or sale of the property and equipment, the Foundation recognizes either a gain or loss from the disposal or sale of the donated assets.

Sale of donated assets of boats and marine equipment for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Net proceeds from sale	\$ 999,774	\$ 543,905
Original donated value	5,214,469	3,751,547
Accumulated depreciation	<u>(4,450,285)</u>	<u>(3,698,650)</u>
Less net value	<u>764,184</u>	<u>52,897</u>
Net gain (loss) on sale	<u>\$ 235,590</u>	<u>\$ 491,008</u>

NOTE 12 - CHARTER FEES

Certain boats donated to the Foundation may be leased for a period of approximately two years, with an option to purchase. During the fiscal year 2021-22, charter fees and depreciation expenses were \$1,429,198 and \$4,450,285, respectively. During the fiscal year 2020-21, charter fees and depreciation expenses were \$1,524,421 and \$3,698,650, respectively.

NOTE 13 - ENDOWMENT

The Foundation's endowment consists of a donor-restricted endowment funds established for Instructional Excellence. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with the endowment fund, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTE 13 - ENDOWMENT (Continued)

Interpretation of Relevant Law: The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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 appropriations for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the funds
- 2) The purposes of the Foundation and the donor-restricted endowment funds
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Endowment Composition and Changes in Endowment Net Assets: Endowment net asset composition by type of fund as of June 30, 2022 and 2021 consisted of donor restricted endowment funds subject to purpose and time restrictions of \$112,777 and \$129,013, respectively. Changes in endowment net assets for the fiscal year ended June 30, 2022 and 2021 are reported in the statement of activities as investment income with donor restrictions restricted activities as appropriate.

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 Directors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in net assets without donor restrictions as of June 30, 2022 and 2021.

Return 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.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022 and 2021

NOTE 13 - ENDOWMENT (Continued)

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 and How the Investment Objectives Relate to 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.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes as follows the fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions		
Scholarships and grants	\$ 619,496	\$ 561,150
College support	2,129,335	830,666
Sailing program	4,450,285	3,698,650
Capital projects:		
Art pavilion	15,037	167
Recycling center	420	35,568
Planetarium	138,792	108,814
Sailing center expansion	<u>133,230</u>	<u>352,222</u>
Total net assets released from donor restrictions	<u>\$ 7,486,595</u>	<u>\$ 5,587,237</u>

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Scholarships and grants	\$ 9,304,001	\$ 9,078,661
College and student assistance	14,927,317	18,043,256
Sailing program	16,133,405	14,207,904
Capital projects:		
Art pavilion	15,001	65,518
Recycling center	101,751	112,045
Planetarium	350,890	459,846
Sailing center expansion	1,212,606	1,090,336
Subject to spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$93,861), the income from which is expendable to support:		
Scholarships	112,777	129,013
Subject to Passage of Time:		
Pledges receivable, net of discount	-	48,866
Receivable for split-interest agreement	168,029	526,726
Not subject to spending policy or appropriations:		
Investments held with FCCC in perpetuity (including amounts above original gift amount of \$22,486):		
Osher scholarships	<u>23,098</u>	<u>27,526</u>
Net assets with donor restrictions	<u>\$ 42,348,875</u>	<u>\$ 43,789,697</u>

NOTE 15 - RELATED PARTIES

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

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 District pays salaries and benefits of the executive director, administrative assistants, and accountants. In addition, working space for the employees who perform administrative services for the Foundation is provided by the District at no charge. In return, the Foundation provides various levels of monetary support and service to Orange Coast College and Coast Community College District. These transactions are recorded within the financial statements as distributions, student programs, and scholarship expense. The previous master agreement was effective July 1, 2016 to June 30, 2021 and was renewed effective July 1, 2021 through June 30, 2026.

(Continued)

ORANGE COAST COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 15 - RELATED PARTIES (Continued)

The primary purpose of the Foundation is to assist in providing and assisting the educational programs of the District. To assist the Foundation in carrying out its purpose, the District pays salaries and benefits of the administrative secretaries and accountants. The donated services for the fiscal years ended June 30, 2022 and 2021 were valued at \$690,170 and \$681,898, respectively, and have been reflected in the financial statements as donated services. The donated facilities for the fiscal years ended June 30, 2022 and 2021 were valued at \$19,898 in both years, and have been reflected in the financial statements as donated facilities. There were no amounts payable to the District as of June 30, 2022. Related party payables due to the District were \$59,855 as of June 30, 2021.