

**COMMUNITY COLLEGE FOUNDATION OF  
NORTH ORANGE COUNTY**

**(A California Nonprofit Corporation)**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018 AND 2017**

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
(A California Nonprofit Corporation)**

**JUNE 30, 2018 AND 2017**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Community College Foundation of North Orange County  
Anaheim, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community College Foundation of North Orange County (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College Foundation of North Orange County as of June 30, 2018 and 2017, 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.

*Vawnek Tume Day & Co LLP*

Rancho Cucamonga, California  
December 5, 2018

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

	2018	2017
<b>ASSETS</b>		
Current Assets		
Cash - unrestricted	\$ 41,940	\$ 60,982
Cash - restricted	67,857	57,762
Total Current Assets	109,797	118,744
Noncurrent Assets		
Investments - unrestricted	14,382	14,208
Investments - restricted	90,423	88,650
Total Noncurrent Assets	104,805	102,858
Total Assets	\$ 214,602	\$ 221,602
 <b>NET ASSETS</b>		
Unrestricted	\$ 56,322	\$ 75,190
Temporarily restricted	73,280	61,412
Permanently restricted	85,000	85,000
Total Net Assets	\$ 214,602	\$ 221,602

See the accompanying notes to financial statements.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES</b>				
Contributions	\$ 31,160	\$ -	\$ -	\$ 31,160
Assets released from restrictions	2,532	(2,532)	-	-
Total Revenues	33,692	(2,532)	-	31,160
<b>EXPENSES</b>				
Operating expenses	37,074	-	-	37,074
Program expenses	5,691	-	-	5,691
Total Expenses	42,765	-	-	42,765
<b>OTHER INCOME</b>				
Interest and dividends	205	4,400	-	4,605
<b>TRANSFERS</b>	(10,000)	10,000	-	-
<b>CHANGE IN NET ASSETS</b>	(18,868)	11,868	-	(7,000)
<b>NET ASSETS, BEGINNING OF YEAR</b>	75,190	61,412	85,000	221,602
<b>NET ASSETS, END OF YEAR</b>	\$ 56,322	\$ 73,280	\$ 85,000	\$ 214,602

See the accompanying notes to financial statements.

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 20,210	\$ -	\$ -	\$ 20,210
8,317	(8,317)	-	-
<u>28,527</u>	<u>(8,317)</u>	<u>-</u>	<u>20,210</u>
32,024	-	-	32,024
8,415	-	-	8,415
<u>40,439</u>	<u>-</u>	<u>-</u>	<u>40,439</u>
163	4,091	-	4,254
(200)	200	-	-
<u>(11,949)</u>	<u>(4,026)</u>	<u>-</u>	<u>(15,975)</u>
87,139	65,438	85,000	237,577
<u>\$ 75,190</u>	<u>\$ 61,412</u>	<u>\$ 85,000</u>	<u>\$ 221,602</u>

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,000)	\$ (15,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	(1,947)	1,939
Change in restricted cash	(10,095)	1,940
Net Cash Flows From Investing Activities	(12,042)	3,879
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(19,042)	(12,096)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	60,982	73,078
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 41,940	\$ 60,982

See the accompanying notes to financial statements.



**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization and Nature of Activities**

The Community College Foundation of North Orange County (the Foundation) is a nonprofit public benefit corporation founded on September 8, 1987, with the express purpose of promoting and assisting the educational programs of North Orange County Community College District (the District) in accordance with the mission, policies, and priorities of the District. The Foundation is an independent foundation established under the laws of the State of California.

**Financial Statement Presentation**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Public Support and Revenue**

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets released from restriction between the applicable classes of net assets.

**Use of 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.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**Income Taxes**

The Foundation is a non-profit 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)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal informational tax returns for the years ended June 30, 2015, 2016, and 2017, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2014, 2015, 2016, and 2017, are open to audit by State authorities.

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. As of June 30, 2018 and June 30, 2017, all amounts held by the Foundation were fully insured.

**Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis.

**New Accounting Pronouncements**

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Foundation has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Foundation will be required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the current required three classes (unrestricted, temporarily restricted, and permanently restricted).

**NOTE 2 - DONATED SERVICES**

During the year, many individuals, District staff, and administrators donate time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. These services have not been recorded in the financial statements since there is no readily determined method of valuing services and the amount is minimal.

**NOTE 3 - INVESTMENTS**

Investments in equity securities with readily determinable fair values are carried at fair value. Fair value is determined using quoted market prices (where available) or, if not available, estimated fair values are determined based on quoted market prices of financial instruments with similar characteristics. All other investments are carried at the lower of cost or market. Recognized gains and losses on investments are reflected in the statement of activities. Dividends and interest income are recorded during the period earned.

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2018 and 2017:

	2018	
	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 104,805	\$ 104,805
	2017	
	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 102,858	\$ 102,858

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2018 and 2017:

	2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 205	\$ 4,400	\$ 4,605
	2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 163	\$ 4,091	\$ 4,254

**NOTE 4 - INVESTMENT SECURITIES**

**Market Value of Financial Assets and Liabilities**

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

The following tables present the balances of the assets measured at fair value on a recurring basis as of June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Assets	<u>Level 1</u>	<u>Level 1</u>
Certificates of Deposit	<u>\$ 104,805</u>	<u>\$ 102,858</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis for June 30, 2018 and 2017.

***NOTE 5 - RELATED PARTY TRANSACTIONS***

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as program expenses. The District provides minimal support to the Foundation. The value of this support has not been calculated and is not reflected within these financial statements.

***NOTE 6 - TRANSFERS BETWEEN FUNDS***

During the years ended June 30, 2018 and 2017, unrestricted funds in the amount of \$10,000 and \$200, respectively, were transferred to temporarily restricted funds based on management's analysis and donor authorizations.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2018:

	Balance <u>July 1, 2017</u>	Net <u>Change</u>	Balance <u>June 30, 2018</u>
Walt Pray Memorial Scholarship Fund	\$ 20,471	\$ 1,912	\$ 22,383
Nilane Lee Scholarship Fund	24,119	981	25,100
R2A Book Award Fund	3,410	29	3,439
SCE Wilshire Players Fund	882	1	883
SCE Sydney Shue Scholarship Fund	1,565	(101)	1,464
Ned Doffoney Scholarship Fund	3,410	(375)	3,035
Dr. McGuire Scholarship	996	11	1,007
SCE Christine Terry Fund	6,559	9,410	15,969
Total Temporarily Restricted	<u>\$ 61,412</u>	<u>\$ 11,868</u>	<u>\$ 73,280</u>

Temporarily restricted net assets consist of the following at June 30, 2017:

	Balance <u>July 1, 2016</u>	Net <u>Change</u>	Balance <u>June 30, 2017</u>
Walt Pray Memorial Scholarship Fund	\$ 19,351	\$ 1,120	\$ 20,471
Nilane Lee Scholarship Fund	24,108	11	24,119
R2A Book Award Fund	6,266	(2,856)	3,410
SCE Wilshire Players Fund	882	-	882
SCE Sydney Shue Scholarship Fund	2,324	(759)	1,565
Ned Doffoney Scholarship Fund	3,410	-	3,410
Dr. McGuire Scholarship	1,732	(736)	996
SCE Christine Terry Fund	7,365	(806)	6,559
Total Temporarily Restricted	<u>\$ 65,438</u>	<u>\$ (4,026)</u>	<u>\$ 61,412</u>

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

***NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS***

Permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>
Walt Pray Memorial Scholarship Fund	\$ 20,000
Nilane Lee Scholarship Fund	<u>65,000</u>
Total Permanently Restricted	<u>\$ 85,000</u>
	<u>2017</u>
Walt Pray Memorial Scholarship Fund	\$ 20,000
Nilane Lee Scholarship Fund	<u>65,000</u>
Total Permanently Restricted	<u>\$ 85,000</u>

***NOTE 9 - SUBSEQUENT EVENTS***

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 5, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.