

**COMMUNITY COLLEGE FOUNDATION OF
NORTH ORANGE COUNTY**

(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

JUNE 30, 2016 AND 2015

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

JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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.

Vavrinich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 6, 2016

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2016	2015
ASSETS		
Current Assets		
Cash - unrestricted	\$ 73,078	\$ 87,297
Cash - restricted	59,702	61,666
Total Current Assets	132,780	148,963
Noncurrent Assets		
Investments - unrestricted	14,061	13,943
Investments - restricted	90,736	81,256
Total Noncurrent Assets	104,797	95,199
Total Assets	\$ 237,577	\$ 244,162
 NET ASSETS		
Unrestricted	\$ 87,139	\$ 101,240
Temporarily restricted	65,438	57,922
Permanently restricted	85,000	85,000
Total Net Assets	\$ 237,577	\$ 244,162

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,

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	\$ 4,681	\$ -	\$ -	\$ 4,681
Assets released from restrictions	2,200	(2,200)	-	-
Total Revenues	6,881	(2,200)	-	4,681
EXPENSES				
Operating expenses	10,395	-	-	10,395
Program expenses	4,986	-	-	4,986
Total Expenses	15,381	-	-	15,381
OTHER INCOME				
Interest and dividends	131	3,984	-	4,115
CHANGE IN NET ASSETS	(8,369)	1,784	-	(6,585)
TRANSFERS	(5,732)	5,732	-	-
NET ASSETS, BEGINNING OF YEAR	101,240	57,922	85,000	244,162
NET ASSETS, END OF YEAR	\$ 87,139	\$ 65,438	\$ 85,000	\$ 237,577

See the accompanying notes to financial statements.

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 40,898	\$ 100	\$ -	\$ 40,998
3,375	(3,375)	-	-
<u>44,273</u>	<u>(3,275)</u>	<u>-</u>	<u>40,998</u>
15,016	-	-	15,016
5,850	-	-	5,850
<u>20,866</u>	<u>-</u>	<u>-</u>	<u>20,866</u>
106	4,000	-	4,106
23,513	725	-	24,238
<u>(7,102)</u>	<u>7,102</u>	<u>-</u>	<u>-</u>
84,829	50,095	85,000	219,924
<u>\$ 101,240</u>	<u>\$ 57,922</u>	<u>\$ 85,000</u>	<u>\$ 244,162</u>

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,585)	\$ 24,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,598)	(1,722)
Change in restricted cash	1,964	(20,048)
Net Cash Flows From Investing Activities	(7,634)	(21,770)
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(14,219)	2,468
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	87,297	84,829
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 73,078	\$ 87,297

See the accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2013, 2014, and 2015, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2012, 2013, 2014, and 2015, 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 and 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, 2016 and June 30, 2015, 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.

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.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2016:

	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 104,797	\$ 104,797

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 95,199	\$ 95,199

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 131	\$ 3,984	\$ 4,115

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 106	\$ 4,000	\$ 4,106

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.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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.

The following tables present the balances of the assets measured at fair value on a recurring basis as of June 30, 2016 and 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015.

	2016	2015
	Level 1	Level 1
Assets		
CDs and money market accounts	\$ 104,797	\$ 95,199

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis for June 30, 2016 and 2015.

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 distributions, student programs, and scholarship expense. 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, 2016 and 2015, unrestricted funds in the amount of \$5,732 and \$7,102, respectively, were transferred to temporarily restricted funds based on management analysis and donor authorizations.

COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016:

	Balance July 1, 2015	Net Change	Balance June 30, 2016
Walt Pray Memorial Scholarship Fund	\$ 17,619	\$ 1,732	\$ 19,351
Nilane Lee Scholarship Fund	24,118	(10)	24,108
R2A Book Award Fund	6,227	39	6,266
SCE Wilshire Players Fund	881	1	882
SCE Sydney Shue Scholarship Fund	-	2,324	2,324
Ned Doffoney Scholarship Fund	-	3,410	3,410
Dr. McGuire Scholarship	1,719	13	1,732
SCE Christine Terry Fund	7,358	7	7,365
Total Temporarily Restricted	<u>\$ 57,922</u>	<u>\$ 7,516</u>	<u>\$ 65,438</u>

Temporarily restricted net assets consist of the following at June 30, 2015:

	Balance July 1, 2014	Net Change	Balance June 30, 2015
Walt Pray Memorial Scholarship Fund	\$ 16,799	\$ 820	\$ 17,619
Nilane Lee Scholarship Fund	22,293	1,825	24,118
R2A Book Award Fund	10,199	(3,972)	6,227
SCE Wilshire Players Fund	584	297	881
Community College Foundation of North Orange County	220	(220)	-
Dr. McGuire Scholarship	-	1,719	1,719
SCE Christine Terry Fund	-	7,358	7,358
Total Temporarily Restricted	<u>\$ 50,095</u>	<u>\$ 7,827</u>	<u>\$ 57,922</u>

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2016:

	Balance July 1, 2015	Net Change	Balance June 30, 2016
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
Total Permanently Restricted	\$ 85,000	\$ -	\$ 85,000

Permanently restricted net assets consist of the following at June 30, 2015:

	Balance July 1, 2014	Net Change	Balance June 30, 2015
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
Total Permanently Restricted	\$ 85,000	\$ -	\$ 85,000

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 6, 2016, 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.