

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, 2020 and 2019, 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, 2020 and 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

Community College Foundation of North Orange County
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 119,761	\$ 102,180
Noncurrent Assets		
Investments	<u>93,980</u>	<u>101,366</u>
Total assets	<u>\$ 213,741</u>	<u>\$ 203,546</u>
Net Assets		
Without donor restrictions	\$ 39,836	\$ 31,573
With donor restrictions	<u>173,905</u>	<u>171,973</u>
Total net assets	<u>\$ 213,741</u>	<u>\$ 203,546</u>

Community College Foundation of North Orange County
 Statements of Activities
 Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	\$ 25,000	\$ 30,481	\$ 55,481	\$ 2,067	\$ 25,000	\$ 27,067
Net assets released from restrictions	33,273	(33,273)	-	15,867	(15,867)	-
Total revenues	58,273	(2,792)	55,481	17,934	9,133	27,067
Expenses						
Program expenses						
District support	37,500	-	37,500	28,195	-	28,195
Scholarships and grants	12,686	-	12,686	14,817	-	14,817
Management and administration						
State and Federal filing fees	145	-	145	-	-	-
Banking fees	85	-	85	-	-	-
Credit card processing fees	130	-	130	-	-	-
Total expenses	50,546	-	50,546	43,012	-	43,012
Other Income						
Interest	536	4,724	5,260	329	4,560	4,889
Change in Net Assets	8,263	1,932	10,195	(24,749)	13,693	(11,056)
Net Assets, Beginning of Year	31,573	171,973	203,546	56,322	158,280	214,602
Net Assets, End of Year	\$ 39,836	\$ 173,905	\$ 213,741	\$ 31,573	\$ 171,973	\$ 203,546

Community College Foundation of North Orange County
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	<u>\$ 10,195</u>	<u>\$ (11,056)</u>
Investing Activities		
Proceeds from sale of investments	<u>7,386</u>	<u>3,439</u>
Net Change in Cash and Cash Equivalents	17,581	(7,617)
Cash and Cash Equivalents, Beginning of Year	<u>102,180</u>	<u>109,797</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 119,761</u></u>	<u><u>\$ 102,180</u></u>

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 and the District are financial interrelated organizations as defined by Accounting Standards Codification (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 and supporting services.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net Asset Accounting

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

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

Net Assets With Donor Restrictions - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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.

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

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, 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) (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's Federal informational tax returns for the years ended June 30, 2017, 2018, and 2019, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2016, 2017, 2018, and 2019, are open to audit by State authorities.

Community College Foundation of North Orange County

Notes to Financial Statements

June 30, 2020 and 2019

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less are considered to be cash and cash equivalents. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. As of June 30, 2020 and 2019, all amounts held by the Foundation were fully insured.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, there are no shared cost among the programs and support services that require allocation.

Accounting Pronouncements Adopted

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution; helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation; and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in ASU 2018-08 apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis as of July 1, 2019 to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

Community College Foundation of North Orange County

Notes to Financial Statements

June 30, 2020 and 2019

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 comprise of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 24,936	\$ 16,949
Investments	<u>14,960</u>	<u>14,624</u>
Total financial assets available within one year	<u>\$ 39,896</u>	<u>\$ 31,573</u>

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

Note 3 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2020 and 2019:

	<u>2020</u>	
	<u>Adjusted Cost</u>	<u>Fair Market Value</u>
Certificates of Deposit	<u>\$ 93,980</u>	<u>\$ 93,980</u>
	<u>2019</u>	
	<u>Adjusted Cost</u>	<u>Fair Market Value</u>
Certificates of Deposit	<u>\$ 101,366</u>	<u>\$ 101,366</u>

Note 4 - Fair Value Measurements and Disclosures

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 (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.

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, 2020 and 2019.

	2020	2019
	<u>Level 2</u>	<u>Level 2</u>
Assets		
Certificates of deposit	<u>\$ 93,980</u>	<u>\$ 101,366</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis for June 30, 2020 and 2019.

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 donated 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.

Community College Foundation of North Orange County

Notes to Financial Statements

June 30, 2020 and 2019

Note 6 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2020:

	Balance July 1, 2019	Net Change	Balance June 30, 2020
Walt Pray Memorial Scholarship Fund	\$ 23,692	\$ 1,380	\$ 25,072
Nilane Lee Scholarship Fund	22,375	(1,186)	21,189
R2A Book Award Fund	969	(298)	671
SCE Wilshire Players Fund	883	1	884
Community College Foundation of North Orange County	20,364	-	20,364
NOCE Scholarships and Grants Fund	-	15,425	15,425
SCE Sydney Shue Scholarship Fund	1,063	(421)	642
Ned Doffoney Scholarship Fund	2,910	-	2,910
Dr. McGuire Scholarship	1,023	(233)	790
SCE Christine Terry Fund	13,694	(12,736)	958
	<u>\$ 86,973</u>	<u>\$ 1,932</u>	<u>\$ 88,905</u>
Total donor-restricted net assets	<u>\$ 86,973</u>	<u>\$ 1,932</u>	<u>\$ 88,905</u>

Of the net change of \$12,736 for the SCE Christine Terry Fund, \$10,000 was transferred to the NOCE Scholarships and Grants Fund, which was established in the 2019-20 year. The purpose of the NOCE Scholarships and Grants Fund satisfies the donor restrictions of the SCE Christine Terry Fund.

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2019:

	Balance July 1, 2018	Net Change	Balance June 30, 2019
Walt Pray Memorial Scholarship Fund	\$ 22,383	\$ 1,309	\$ 23,692
Nilane Lee Scholarship Fund	25,100	(2,725)	22,375
R2A Book Award Fund	3,439	(2,470)	969
SCE Wilshire Players Fund	883	-	883
Community College Foundation of North Orange County	-	20,364	20,364
SCE Sydney Shue Scholarship Fund	1,464	(401)	1,063
Ned Doffoney Scholarship Fund	3,035	(125)	2,910
Dr. McGuire Scholarship	1,007	16	1,023
SCE Christine Terry Fund	15,969	(2,275)	13,694
	<u>\$ 73,280</u>	<u>\$ 13,693</u>	<u>\$ 86,973</u>
Total donor-restricted net assets	<u>\$ 73,280</u>	<u>\$ 13,693</u>	<u>\$ 86,973</u>

Community College Foundation of North Orange County

Notes to Financial Statements

June 30, 2020 and 2019

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

	Balance July 1, 2019	Net Change	Balance June 30, 2020
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>
Total donor-restricted net assets	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2019:

	Balance July 1, 2018	Net Change	Balance June 30, 2019
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>
Total donor-restricted net assets	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

Note 7 - Donor Designated 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, 2020 and 2019, 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:

- a) The duration and preservation of the fund
- b) The mission of the Foundation and the purpose of the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and/or deflation
- e) The expected total return from income and the appreciation of investments
- f) Other resources of the Foundation
- g) The investment policy of the Foundation

Community College Foundation of North Orange County

Notes to Financial Statements

June 30, 2020 and 2019

Risk Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prudently invest in financial instruments which provide a reasonable measure of principal stability. 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 targets a diversified asset allocation within prudent risk constraints.

Endowment net assets as of June 30, 2020, are as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 85,000</u>

Endowment net assets as of June 30, 2019, are as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 85,000</u>

Note 8 - District Support

District support identifies donations that were provided to the foundations maintained by the District's colleges in compliance with the provisions of the donor restrictions and approved by the Foundation Board. District support as of June 30, 2020, was provided as follows:

	<u>2020</u>
Cypress College Foundation	\$ 25,000
Fullerton College Foundation	<u>12,500</u>
Total District support	<u>\$ 37,500</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 from the balance sheet date through February 16, 2021, which is the date the financial statements were available to be issued.

Subsequent to year-end, the economy has been negatively impacted by the effects of the world-wide coronavirus pandemic. Although the Foundation has not been negatively impacted, management is closely monitoring Foundation operations, liquidity, and resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the future impact to the Foundation's financial position is not known.