



VICENTI LLOYD & STUTZMAN LLP

MAKING A POSITIVE DIFFERENCE IN OUR WORLD

IRVINE VALLEY COLLEGE FOUNDATION
(A Component Unit of the
South Orange County Community College District)

**Financial Statements
and Independent Auditors' Report
For the Fiscal Year Ended June 30, 2009**

**RESPECT FOR
THE
INDIVIDUAL**



**HIGH ETHICAL
STANDARDS**



**INNOVATION
CREATIVITY
CHANGE**



MUTUAL TRUST



**UNEQUIVOCAL
EXCELLENCE**

IRVINE VALLEY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Irvine Valley College Foundation
Irvine, California

We have audited the accompanying statement of financial position of the Irvine Valley College Foundation (A Component Unit of South Orange County Community College District) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Irvine Valley College Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Irvine Valley College Foundation's financial statements and, in our report, dated November 24, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Irvine Valley College Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Vicenti Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 30, 2009

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(with comparative totals as of June 30, 2008)

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents	\$ 547,444	\$ 555,304
Investments, at fair value	447,009	485,805
Investments with FCCC	89,395	
Prepaid expenses	2,360	2,310
	<u>2,360</u>	<u>2,310</u>
Total current assets	<u>\$ 1,086,208</u>	<u>\$ 1,043,419</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,487	\$ 2,876
Trust accounts liability	1,966	2,106
	<u>1,966</u>	<u>2,106</u>
Total current liabilities	<u>6,453</u>	<u>4,982</u>
Net Assets		
Unrestricted	58,826	97,340
Temporarily restricted	424,184	443,908
Permanently restricted	596,745	497,189
	<u>596,745</u>	<u>497,189</u>
Total net assets	<u>1,079,755</u>	<u>1,038,437</u>
Total liabilities and net assets	<u>\$ 1,086,208</u>	<u>\$ 1,043,419</u>

The accompanying notes are an integral part of these financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2009

(with comparative totals for the fiscal year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2009	2008
Support and revenue					
Support:					
Contributions	\$ 73,108	\$ 258,899	\$ 99,556	\$ 431,563	\$ 386,353
Fundraising		41,286		41,286	98,720
In-kind donations	53,650			53,650	3,293
Donated services	349,007			349,007	350,153
Donated legal fees/audit	12,851			12,851	8,795
Total support	<u>488,616</u>	<u>300,185</u>	<u>99,556</u>	<u>888,357</u>	<u>847,314</u>
Revenue:					
Interest and dividends	5,562	16,875		22,437	33,245
Unrealized loss on investments	(25,744)	(29,889)		(55,633)	(42,074)
Other revenue	1,533	70,661		72,194	89,414
Total revenue	<u>(18,649)</u>	<u>57,647</u>	<u>-</u>	<u>38,998</u>	<u>80,585</u>
Total support and revenue before net assets released from restrictions	469,967	357,832	99,556	927,355	927,899
Net assets released from restrictions	<u>377,556</u>	<u>(377,556)</u>		<u>-</u>	<u>-</u>
Total support and revenue after net assets released from restrictions	<u>847,523</u>	<u>(19,724)</u>	<u>99,556</u>	<u>927,355</u>	<u>927,899</u>
Expenses					
Program services	570,262			570,262	510,427
Supporting services:					
Management and general	184,002			184,002	184,834
Fundraising	131,773			131,773	170,271
Total expenses	<u>886,037</u>	<u>-</u>	<u>-</u>	<u>886,037</u>	<u>865,532</u>
Change in net assets	(38,514)	(19,724)	99,556	41,318	62,367
Net assets					
Beginning, July 1	97,340	443,908	497,189	1,038,437	976,070
Ending, June 30	<u>\$ 58,826</u>	<u>\$ 424,184</u>	<u>\$ 596,745</u>	<u>\$ 1,079,755</u>	<u>\$ 1,038,437</u>

The accompanying notes are an integral part of these financial statements.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Fiscal Year Ended June 30, 2009
(with comparative totals for the fiscal year ended June 30, 2008)

	Program Services	Management and General	Fundraising	Total	
				2009	2008
Salaries and benefits	\$ 71,478	\$ 171,151	\$ 106,378	\$ 349,007	\$ 350,153
Scholarship payments	180,874			180,874	157,941
Program activities	48,542			48,542	70,339
Professional fees	3,598	12,851		16,449	14,379
Contract services	74,722			74,722	85,511
Supplies and printing	63,443			63,443	82,784
Seminars and conferences	23,310			23,310	23,070
Dues and memberships	14,271			14,271	13,809
In-kind donations	53,650			53,650	3,292
Program equipment and software	9,007			9,007	21,692
General operating expenses	27,367		25,395	52,762	42,562
	<u>\$ 570,262</u>	<u>\$ 184,002</u>	<u>\$ 131,773</u>	<u>\$ 886,037</u>	<u>\$ 865,532</u>

The accompanying notes are an integral part of these financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2009

(with comparative totals for the fiscal year ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 41,318	\$ 62,367
Adjustment to reconcile change in net assets to net cash provided by operations		
Unrealized loss on investments	55,633	42,074
Changes in operating assets and liabilities:		
(Increase) in prepaid expenses	(50)	(312)
Increase in accounts payable	1,611	2,400
(Decrease) in trust accounts liability	(140)	(281)
Net cash provided by operating activities	98,372	106,248
Cash flows from investing activities		
Reinvested interest and dividends	(22,437)	(33,245)
Purchase of investments	(83,795)	(23,909)
Net cash used by investing activities	(106,232)	(57,154)
Net increase (decrease) in cash and cash equivalents	(7,860)	49,094
Cash and cash equivalents, beginning of year	555,304	506,210
Cash and cash equivalents, end of year	\$ 547,444	\$ 555,304

The accompanying notes are an integral part of these financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 1 – ORGANIZATION:

The Irvine Valley College Foundation (the Foundation) was founded in 1989 to assist in the achievement and maintenance of a superior program of public education and community participation with the South Orange County Community College District (the District) by receiving contributions from the public, raising funds and making contributions to educational and community programs of the District and by developing, conducting and financing programs and projects designed to benefit the students enrolled in the educational and community programs of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Foundation is deemed a component unit of South Orange County Community College District and has been included in the District's basic financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for the following purposes:

Program Support	\$ 347,858
Scholarships	<u>76,326</u>
	<u>\$ 424,184</u>

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Classification of Net Assets (continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. Earnings generated from the permanently restricted net assets noted below are available for the following purposes:

Program Support	\$ 209,678
Scholarships	<u>387,067</u>
	\$ <u>596,745</u>

Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use 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.

Recognition of Donor Restricted Contributions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds. The Foundation considers all short-term, highly liquid investments, with a maturity date of not more than three months from the date of acquisition, to be “cash equivalents”.

Investments

Investments are recorded at fair value based on quoted market values.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Donated Assets and Services

The Foundation records the value of donated services and facilities when there is an objective basis available to measure their value. Donated services are recorded at fair value when a specialized skill is provided that would have otherwise been purchased or paid. Donated supplies and equipment are reflected in the accompanying financial statements as both revenue and expense since these donated assets are accepted by the Foundation on behalf of Irvine Valley College.

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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Summarized Financial Information of the Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2008, from which the summarized information was derived.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Subsequent Events

In accordance with FASB Accounting Standard 165, *Subsequent Events*, the Foundation has evaluated subsequent events through November 30, 2009, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.

NOTE 3 – SECURED DEPOSITS:

The Foundation's cash deposits are maintained at the same financial institution as the District's and are contractually insured and collateralized in accordance with California Government Code requirements to secure its deposits by pledging government securities as collateral. The market value of pledged securities is equal to 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. Collateral is considered to be held in the name of the Foundation. At June 30, 2009, the bank balance for the Foundation of \$184,825 was entirely insured and collateralized as described above.

In addition, the Foundation maintains cash balances with a brokerage firm in excess of Securities Investor Protection Corporation ("SIPC") Limits. At June 30, 2009 unsecured brokerage deposits were \$421,716. These deposits are held by a credit worthy, high-quality financial institution.

NOTE 4 – INVESTMENTS:

Investments are presented in the financial statements at their aggregate fair value. The fair value of the mutual funds is based on quoted market values. The cost and fair values at June 30, 2009 are as follows:

<u>Level 1</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ <u>447,009</u>	\$ <u>447,009</u>

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 4 – INVESTMENTS: (continued)

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, 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 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.

The following schedule summarizes the investment return and its classifications in the statement of activities for the year ended June 30, 2009.

Unrealized loss on investments	\$ (55,633)
Interest and dividend income	<u>22,437</u>
Investment income and losses	<u>\$ (33,196)</u>

NOTE 5 – INVESTMENTS WITH FCCC:

The Foundation has also transferred \$89,395 to the California Community Colleges Scholarship Endowment. These funds will be invested in a pooled investment fund held by the Foundation for California Community Colleges (FCCC). At June 30, 2009 the fair value of this investment was \$89,526, and included investment earnings of \$131. The investments with FCCC have been reported at cost in these financial statements which approximates fair value. The FCCC has assembled an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the Endowment's assets.

NOTE 6 – TRUST ACCOUNTS:

The Foundation acts as a fiscal agent for organizations and groups of the Irvine Valley College. Accordingly, \$1,966 of assets belongs to other parties. The Foundation does not have discretion over the funds held on behalf of others.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$377,556 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 8 – ENDOWMENT:

The Foundation's endowment consists of 34 individual funds established for a variety of purposes. Its endowment includes both endowment funds held by the District and the Foundation for California Community Colleges. As required by GAAP, net assets associated with endowment funds, 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. The Foundation does not maintain any Board designated endowment funds.

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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (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 organization
- (7) The investment policies of the organization

IRVINE VALLEY COLLEGE FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

NOTE 8 – ENDOWMENT: (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ (25,744)</u>	<u>\$ 38,646</u>	<u>\$ 596,745</u>	<u>\$ 609,647</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 52,025	\$ 497,189	\$ 549,214
Investment return:				
Investment income		16,875		16,875
Net appreciation (realized and unrealized)		<u>(55,633)</u>		<u>(55,633)</u>
Total investment return	<u>-</u>	<u>(38,758)</u>		<u>(38,758)</u>
Contributions		26,761	99,556	126,317
Program income		4,561		4,561
Appropriate of endowment assets for expenditure		<u>(31,687)</u>		<u>(31,687)</u>
Other changes:				
Transfer of underwater endowment balances	<u>(25,744)</u>	<u>25,744</u>		<u>-</u>
Total other changes	<u>(25,744)</u>	<u>25,744</u>	<u>-</u>	<u>-</u>
Endowment new assets, end of year	<u>\$ (25,744)</u>	<u>\$ 38,646</u>	<u>\$ 596,745</u>	<u>\$ 609,647</u>

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 8 – ENDOWMENT: (continued)

**Description of Amounts Classified as Permanently Restricted Net Assets and
Temporarily Restricted Net Assets (Endowment Only) as of June 30, 2009**

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 596,745

Temporarily Restricted Net Assets

Purpose restricted endowment funds

\$ 38,646

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 requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were (\$25,744) as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

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). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize investment earnings 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 5 percent annually. Actual returns in any given year may vary from this amount.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 8 – 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 an equal emphasis on equity-based and fixed income-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 3 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. 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 at an average of 2 percent annually. 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 9 – FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES:

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (Endowment) through the Foundation for California Community Colleges. As of June 30, 2009, \$89,395 of scholarship donations were deposited in this Endowment. (See Note 5).

The Endowment has been set up to provide matching scholarships funds for California community colleges. The endowment was formed through a generous \$50 million matching commitment from the Bernard Osher Foundation and an initial contribution of \$25 million. The California Community Colleges and the Foundation for California Community Colleges have until June 2011 to raise an additional \$50 million, for which the Osher Foundation will provide a 50 percent match up to \$25 million. Beginning with the 2009-10 year, the Endowment will distribute scholarship funding from the initial \$25 million gift to each participating community college. The allocation will be based on each colleges FTES and each scholarship will be valued at \$1,000 for a school year.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

NOTE 10 – RELATED PARTIES:

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, administrative assistant and accountant and contributed to the Foundation's audit fee. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services included \$349,007 of salaries and benefits and \$12,851 for contract services. These donated services and contract services have been reflected in the financial statements as donated revenues, and as expenses under salaries and benefits and contract services. The value of donated facilities has not been determined and is therefore not included in the financial statements, however, management does not believe the amount to be material.