

IRVINE VALLEY COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

And

Independent Auditors' Report

IRVINE VALLEY COLLEGE FOUNDATION

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Governors
Irvine Valley College Foundation
5500 Irvine Center Drive
Irvine, CA 92618

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Irvine Valley College Foundation (the Foundation), a component unit of the South Orange County Community College District, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

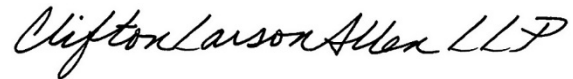
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 on page one present fairly, in all material respects, the respective financial position of the Irvine Valley College Foundation as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP
Glendora, California
October 29, 2018

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 179,696
Accounts receivable	53,093
Investments, at fair value	2,677,203
Prepays	<u>3,245</u>
Total Current Assets	<u>2,913,237</u>
 Non-Current Assets:	
Investments with FCCC	<u>425,395</u>
Total Non-Current Assets	<u>425,395</u>
Total Assets	<u>\$ 3,338,632</u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities:	
Accounts payable	\$ 212,846
Accrued liabilities	33,233
Deferred revenue	<u>116</u>
Total Current Liabilities	<u>246,195</u>
 Net Assets:	
Unrestricted	389,552
Temporarily restricted	1,258,141
Permanently restricted	<u>1,444,744</u>
Total Net Assets	<u>3,092,437</u>
Total Liabilities and Net Assets	<u>\$ 3,338,632</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Support and Revenue				
Support				
Contributions	\$ 11,033	\$ 1,105,048	\$ 121,013	\$ 1,237,094
Special events income - fundraisers	74,836	3,200	-	78,036
Sales and commissions	38,513	20,464	-	58,977
In-kind donations	20,630	-	-	20,630
Donated services	606,558	-	-	606,558
Donated professional fees	6,000	-	-	6,000
Total Support	<u>757,570</u>	<u>1,128,712</u>	<u>121,013</u>	<u>2,007,295</u>
Other income, gains and losses				
Investment income	31,120	30,752	-	61,872
Realized gain (loss) on investments	74,053	97,445	-	171,498
Unrealized gain (loss) on investments	(43,921)	(65,717)	-	(109,638)
Change in value of FCCC investments	-	6,322	-	6,322
Other income	-	765	-	765
Total Other Income, Gains, and Losses	<u>61,252</u>	<u>69,567</u>	<u>-</u>	<u>130,819</u>
Total revenues before net assets released from restrictions	818,822	1,198,279	121,013	2,138,114
Net assets released from restrictions	<u>1,086,630</u>	<u>(1,086,630)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,905,452</u>	<u>111,649</u>	<u>121,013</u>	<u>2,138,114</u>
Operating Expenses				
Program services	1,447,176	-	-	1,447,176
Supporting services				
Management and general	147,506	-	-	147,506
Fundraising	159,484	-	-	159,484
Total Expenses	<u>1,754,166</u>	<u>-</u>	<u>-</u>	<u>1,754,166</u>
Change in net assets	<u>151,286</u>	<u>111,649</u>	<u>121,013</u>	<u>383,948</u>
Net Assets				
Beginning of year	238,266	1,146,492	1,323,731	2,708,489
End of year	<u>\$ 389,552</u>	<u>\$ 1,258,141</u>	<u>\$ 1,444,744</u>	<u>\$ 3,092,437</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2018

Cash flows from operating activities	
Contributions and special events	\$ 1,290,521
Sales and commissions	59,093
Investment income	61,872
Other income	765
Payments to/on behalf of District employees	(23,777)
Payments to suppliers	(501,331)
Payments to/on behalf of students	(445,903)
Net cash provided by operating activities	<u>441,240</u>
Cash flows from investing activities	
Purchase of investments	(3,844,034)
Proceeds from sale of investment	<u>3,293,439</u>
Net cash used by investing activities	<u>(550,595)</u>
Net decrease in cash and cash equivalents	(109,355)
Cash and cash equivalents, beginning of year	<u>289,051</u>
Cash and cash equivalents, end of year	<u>\$ 179,696</u>
Reconciliation of change in net assets to cash provided by operating activities	
Change in net assets	\$ 383,948
Adjustment to reconcile change in net assets to cash provided by operating activities	
Realized and unrealized loss on investments	(68,182)
Change in assets - (increase)/decrease:	
Accounts receivable	(45,239)
Prepays	4,621
Change in liabilities - increase/(decrease):	
Accounts payable	132,743
Accrued liabilities	33,233
Deferred revenue	116
Net cash provided by operating activities	<u>\$ 441,240</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSE

For the Year Ended June 30, 2018

	Program Services	Management & General	Fundraising	Total
Salaries and benefits	\$ 56,272	\$ -	\$ 738	\$ 57,010
Scholarships and grants	445,153	750	-	445,903
Donated services	379,084	117,452	110,022	606,558
Donated professional fees	-	6,000	-	6,000
Investment management fees	8,200	3,280	-	11,480
Supplies and printing	2,334	799	509	3,642
Conference and meetings	218,100	1,196	-	219,296
Dues and membership	4,055	2,175	-	6,230
Equipment	209,827	-	-	209,827
Contract services	29,698	3,707	-	33,405
Special events	-	-	42,577	42,577
Program expenses	72,367	-	-	72,367
Other expenses	22,086	12,147	5,638	39,871
Total	<u>\$ 1,447,176</u>	<u>\$ 147,506</u>	<u>\$ 159,484</u>	<u>\$ 1,754,166</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: ORGANIZATION

Organization and Nature of Activities

Irvine Valley College Foundation (the Foundation) is a California, nonprofit public benefit corporation founded on November 24, 2003, for the purpose of receiving contributions to further the educational purposes of Irvine Valley College (IVC) which is part of the South Orange County Community College District (the District). The principal sources of revenue for the Foundation include donor contributions and investment related income.

Financial Statement Presentation and Basis of Accounting

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. Revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation is required to report 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. Unrestricted net assets include all resources available for use by the Board of Governors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are restricted by the donor or as matter of law. Temporarily restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: ORGANIZATION

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) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year.

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.

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. 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.

United States Generally Accepted Accounting Principles (US GAAP) requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: ORGANIZATION

examination. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. The Foundation occasionally maintains cash balances in excess of the insured amounts, and has not incurred losses. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

NOTE 2: RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 consist of amounts restricted for use in providing scholarships and other program services to IVC.

Permanently restricted net assets are restricted for investment in perpetuity, which represents the Foundation's endowment funds.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 3: DONATED SERVICES

Throughout the year, many individuals throughout the District donate significant amounts of time to advance the programs and objectives of the Foundation. Donated services and professional fees are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value. Donated services and professional fees include the value of Foundation services paid for salaries and benefits and professional fees paid by District.

NOTE 4: INVESTMENTS

Investments are recorded at cost at date of acquisition or fair value at date of donation. The cost and fair value of investments as of June 30, 2018 are as follows:

<u>Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 27,490	\$ 27,490	\$ 27,490	\$ -	\$ -
Equity and fixed income funds	-	425,395	425,395	-	-
Mutual funds	2,662,511	2,649,713	2,238,497	411,217	-
	<u>\$ 2,690,001</u>	<u>\$ 3,102,598</u>	<u>\$ 2,691,382</u>	<u>\$ 411,217</u>	<u>\$ -</u>

Levels 1 through 3 have been assigned to the fair value measurements 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 Foundation has no Level 3 investments.

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

Interest and dividends, net	\$ 61,872
Realized gain on investments, net	171,498
Unrealized loss on investments, net	<u>(109,638)</u>
Total Investment Income	<u>\$ 123,732</u>

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 5: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

In 2010, the Foundation 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.

Since the agreement's inception, the Foundation has transferred a total of \$370,759 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2018 the fair value of this investment was \$425,395, which consisted of cash of \$21,270, equity securities of \$293,522 and fixed income instruments of \$110,603 measured at quoted prices in active markets for identical assets (Level 1). Net investment income of \$26,122 was recognized during the year ended June 30, 2018. Fund distributions from investment returns for the year ended June 30, 2018 were \$19,800.

Changes in FCCC net assets for the fiscal year June 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Investments with FCCC, beginning of year	\$ 48,314	\$ 370,759	\$ 419,073
Investment return:			
Investment income, net of expenses	6,876	-	6,876
Net appreciation (realized and unrealized)	19,246	-	19,246
Total investment return	26,122	-	26,122
Other changes:			
Distributions	(19,800)	-	(19,800)
Total other changes	(19,800)	-	(19,800)
Change in value, FCCC investment	6,322	-	6,322
Investments with FCCC, end of year	<u>\$ 54,636</u>	<u>\$ 370,759</u>	<u>\$ 425,395</u>

The CCCSE was established to provide matching scholarships funds for California community colleges. The CCCSE was formed through a \$50 million matching commitment from the Osher Foundation and a lead 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 is valued at \$1,100 for a school year. The Foundation received distribution and matching funds from the Osher Foundation totaling \$39,600 to meet the required 5% minimum payout for scholarships.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: ENDOWMENTS

The Foundation's endowment consists of approximately 39 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Governors 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 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

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: ENDOWMENTS

Changes in donor-restricted endowment net assets for the fiscal year June 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 165,516	\$ 1,323,731	\$ 1,489,247
Contributions	88,071	121,013	209,084
Investment return:			
Investment income, net of expenses	23,073		23,073
Net appreciation (realized and unrealized)	35,915	-	35,915
Total investment return	58,988	-	58,988
Other changes:			
Distributions	(56,914)	-	(56,914)
Total other changes	(56,914)	-	(56,914)
Endowment net assets, end of year	\$ 255,661	\$ 1,444,744	\$ 1,700,405

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 permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2018.

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. Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long term perspective. The policy is to protect the principal, over the long term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. 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

June 30, 2018

NOTE 6: ENDOWMENTS

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 3 percent of the endowment fund's average fair value over the prior 12 quarters for 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% annually.

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 7: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$1,086,630 were released from temporary donor restrictions during the year ended June 30, 2018. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 8: 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 Foundation directors and staff. Additionally, the District pays professional fees for services rendered on behalf of the Foundation. The donated services and professional fees for the year ended June 30, 2018 were valued at \$606,559 and \$6,000, respectively. These amounts have been reflected in the financial statements as donated services and professional fees revenues and expenses.

NOTE 9: CONTINGENCIES

The Foundation may become a party to litigation in the normal course of business. The Foundation accrues for open claims based on the Foundation's historical experience and available insurance coverage. In the opinion of management, there are no legal matters involving the Foundation that would have a material adverse impact upon the Foundation's financial position, activities or cash flow.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: 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 October 29, 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.