IRVINE VALLEY COLLEGE FOUNDATION

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

Irvine Valley College

San Diego

Los Angeles

San Francisco Bay Area

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

IRVINE VALLEY COLLEGE FOUNDATION
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Irvine Valley College Foundation
Irvine, California

We have audited the accompanying financial statements of Irvine Valley College Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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.

Auditor's 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 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 entity'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 entity'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 Irvine Valley College Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Christy White Associates

San Diego, California
October 4, 2016

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$	681,037
Investments (Note 3)		1,346,831
Pledges Receivable (Note 4)		60,722
Prepaid expense		10,660
Total current assets		2,099,250
Other assets		
Investments with the Foundation for California Community Colleges (Note 3)		391,205
Total other assets		391,205
Capital assets		
Property and equipment		15,930
Less accumulated depreciation		-
Total capital assets, net		15,930
Total Assets	$	2,506,385
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	70,158
Accrued liabilities		8,616
Total liabilities		78,774
Net assets		
Unrestricted		161,546
Temporarily restricted		1,229,816
Permanently restricted		1,036,249
Total net assets		2,427,611
Total Liabilities and Net Assets	$	2,506,385

The notes to financial statements are an integral part of this statement.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	$ 14,584	$ 730,777	$ 5,164	$ 750,525
Special events - fundraisers	118,132	25,255	-	143,387
Donated Services (Note 6)	610,543	-	-	610,543
Donated Professional Fees	13,000	-	-	13,000
Investment income (Note 3)	27,697	6,016	-	33,713
Sales & Commission	22,804	12,880	890	36,574
Other Contract Services	-	11,403	126	11,529
Other Revenue	(1,861)	44,432	48,611	91,182
Net assets released from restrictions				
Purpose restrictions satisfied	764,613	(764,613)	-	-
Total Support and Revenues	1,569,512	66,150	54,791	1,690,453
EXPENSES				
Program services	1,183,550	-	-	1,183,550
Supporting services				
Management and general activities	159,684	-	-	159,684
Fundraising (Note 8)	174,889	-	-	174,889
Total Expenses	1,518,123	-	-	1,518,123
CHANGE IN NET ASSETS	51,389	66,150	54,791	172,330
Net Assets - Beginning	110,157	1,163,666	981,458	2,255,281
Net Assets - Ending	$ 161,546	$ 1,229,816	$ 1,036,249	$ 2,427,611

The notes to financial statements are an integral part of this statement.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Salaries and benefits	$ 396,079	$ 126,870	$ 87,683	$ 610,632
Scholarship payments	401,295	-	-	401,295
Program activities	109,696	-	-	109,696
Special events - Fundraising	-	-	87,206	87,206
Professional fees	-	13,000	-	13,000
Contract services	23,533	-	-	23,533
Supplies and printing	3,829	-	-	3,829
Seminars and conferences	85,283	-	-	85,283
Dues and memberships	3,280	-	-	3,280
Program equipment and software	35,645	-	-	35,645
General operating	124,910	19,814	-	144,724
Total Expenses	$ 1,183,550	$ 159,684	$ 174,889	$ 1,518,123

The notes to financial statements are an integral part of this statement.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	172,330
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Pledges Receivable (Note 4)		13,607
Capital Assets		(15,930)
Prepaid expense		(9,000)
Accounts payable		29,233
Accrued liabilities		8,518
Net cash provided by (used in) operating activities		198,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments and reinvested earnings		(26,120)
Net cash provided by (used in) investing activities		(26,120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		172,638
Cash and cash equivalents - Beginning		508,399
Cash and cash equivalents - Ending	$	681,037
Interest paid during the year ended June 20, 2016	$	-

The notes to financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Irvine Valley College Foundation (the "Foundation"), was formed as a California nonprofit public benefit corporation on December 5, 2003. The public and charitable purposes for which this Foundation is organized are to further the educational purposes of the Irvine Valley College (the "IVC"). The principal source of total revenue for the Foundation is donor contributions. Additionally, the District provides administrative services to the Foundation. The Foundation considers these donated services as a principle source of revenue and recognizes the corresponding amount as an expense.

B. 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 certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

C. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

D. Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting; consequently, 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.

E. Financial Statement Presentation

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. A contribution is recognized as income at the date the contribution is received or pledged. 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.

Non-cash contributions of goods and materials are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone who possesses those skills, and would have to be purchased by the organization if not donated.

G. Income Taxes

In 2003, the Foundation received it's 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private organization. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code and is registered with the California Attorney General as a charity.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any net unrelated business income for the year ended June 30, 2016. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements. The organization's foundation and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

The District has adopted a policy to capitalize purchases of $5,000 or more of property and equipment used for administrative purposes. Property and equipment acquired with grant and contract funds, or contributed assets where the asset will revert to the funding agency at its discretion will be capitalized and a liability will be amortized over the estimated useful life of the asset under the straight-line method.

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has placed a time or purpose restriction on the asset. The entity does not imply an expiring time restriction if the entity receives a long-lived asset without stipulations regarding how long the asset must be used. Property and equipment are depreciated using the straight-line method. There are currently no fixed assets on the Foundation's records.

The Foundation depreciates its property and equipment using the straight-line method over the following estimated useful lives:

Asset	Useful Life
Buildings	50
Site improvements	10
Equipment and vehicle	8
Technology	3

I. Cash and Cash Equivalents

The Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

J. Investments

The Foundation's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Unrealized gains and losses are included in the accompanying statement of activities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When significant changes in valuation techniques or inputs have taken place, the Foundation may revise an asset's or liabilities position in the hierarchy and recognize the change on the date of the event or change in circumstances that caused the transfer.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of amounts held in non-interest bearing checking, interest bearing checking, money market, and brokerage accounts totaling $681,037.

NOTE 3 – INVESTMENTS AND INVESTMENT WITH THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

Investments are presented in the financial statements at their aggregate fair value. The fair value of investments at June 30, 2016, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 1,346,831	$ 1,346,831	$ -	$ -
Total Investments	1,346,831	1,346,831	-	-
Investment with FCCC	391,205	-	391,205	-
Total investments and investment with FCCC	$ 1,738,036	$ 1,346,831	$ 391,205	$ -

The investment with the Foundation for Community College ("FCCC") is measured using level 2 inputs including the allocable share in the market value of the underlying investments held by the FCCC.

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

Unrealized Gain/(Loss)	$ 9,589
Realized gains	(4,985)
Interest and dividends	29,109
Total investment income	$ 33,713

Investment with the Foundation for California Community Colleges

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (the "Endowment") through the Foundation for California Community Colleges (FCCC). The Endowment has been set up to provide matching scholarship funds for California community colleges. Foundation's lead gift of $25 million established the California Community Colleges Scholarship Endowment. The California Community Colleges and the Foundation for California Community Colleges raised an additional $28.5 million, spurring $14.2 million in match dollars from The Osher Foundation; the result is a $67.7 million permanent scholarship fund. Scholarships from the Endowment were first distributed to students throughout the state in fall 2009 and will continue to be dispersed every year in perpetuity. The allocation will be based on each college's Full Time Equivalent Students (FTES) and each scholarship is valued at a maximum of $1,000 per school year per student.

These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2016, the fair value of this investment was $391,205 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 4 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2016 total $60,722. The pledges receivable are estimated to be collected in less than one year from June 30, 2016.

The Foundation has not historically had difficulty collecting amounts due from grantor agencies or other donors; therefore, no allowance for uncollectible pledges has been recorded.

NOTE 5 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 were $1,229,816, are restricted for the use in providing scholarships and other program services to Irvine Valley College.

Permanently Restricted Net Assets

Permanently restricted net assets totaling $1,036,249 are restricted for investment in perpetuity, which represents the Foundation's endowment funds.

Net Assets Released from Restrictions

Net assets of $764,613 were released from temporarily restricted net assets during the fiscal year.

NOTE 6 – RELATED PARTIES AND DONATED SERVICES

To assist the Foundation in carrying out its mission, the District provides administrative services to the Foundation. The District pays salaries and benefits to the Executive Director, Director of Annual Giving and Development Services, Development Assistant II, and Development Associate, 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. During the year ended June 30, 2016, the District contributed $610,543 to these salaries, benefits and $13,000 to professional fees. These donated services have been reflected in the accompanying statement of activities as revenues under donated services and donated professional fees and as expenses under salaries and benefits and professional fees. The value of donated facilities has not been determined and is therefore not included in the accompanying financial statements; however, management does not believe the amount to be material.

NOTE 7 – ENDOWMENT

The Foundation's endowment consists of approximately 26 individual funds established primarily for scholarships. Net assets associated with endowment funds 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 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 an income and appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

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 of UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2016.

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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Governors, the endowment assets are invested in a manner that is intended to protect the principal, over the long term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. Accordingly, funds are invested in a combination of fixed income funds and equity funds expected to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

NOTE 7 – 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 a greater emphasis on equity-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 was planned. While it is the Foundation's goal to distribute 3 percent, it is not guaranteed and is contingent upon current market conditions. 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.

Endowment composition and changes in endowment net assets for the fiscal year ended June 30, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 119,887	$ 981,458	$ 1,101,345
Contributions	500	5,835	6,335
Interfund transfers	11,371	48,956	60,327
Net investment income	108,383		108,383
Net appreciation (depreciation)	(8,499)	-	(8,499)
Amounts appropriated for expenditure	(8,388)		(8,388)
Endowment net assets, June 30, 2016	$ 223,254	$ 1,036,249	$ 1,259,503

NOTE 8 – FUNDRAISING EXPENSE

Fundraising expenses consist largely of operating special fundraising events and costs associated with communicating with potential donors. Total fundraising costs were approximately 105% of funds raised for the year ended June 30, 2016. The schedule below presents fundraising expense costs and funds raised prior to netting the cost of direct benefits to donors. Fundraising expenses, including allocated salary and benefits not directly related to a specific event, have been shown as 'Other' in the below schedule.

Astounding inventions event	$	10,393
Gala event		65,898
Other		98,598
Total fundraising costs (A)	$	174,889
Contributions	$	23,835
Special events revenue		143,387
Total funds raised (B)	$	167,222
Fundraising expense ratio (A/B)		105%

NOTE 9 – CONTINGENCIES

The Foundation may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Foundation if disposed of unfavorably.

NOTE 10 – CONCENTRATIONS

The Foundation conducts operations primarily in Southern California and, therefore, is subject to risks from changes in local economic conditions. The Foundation also receives a substantial amount of donated services from the South Orange County Community College District. If the District failed to continue to provide support to the Foundation, the Foundation would need to significantly change its operations in order to achieve its mission in serving Irvine Valley College.

NOTE 11 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for the period from June 30, 2016 through the date the financial statements were available to be issued, October 4, 2016. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.