

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

**Financial Statements
and Independent Auditor's Report
June 30, 2010**



MACIAS GINI & O'CONNELL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

**IRVINE VALLEY COLLEGE FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

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Independent Auditor's Report

Board of Directors
Irvine Valley College Foundation
Mission Viejo, CA

We have audited the accompanying statement of financial position of the Irvine Valley College Foundation, a component unit of the South Orange County Community College District, as of June 30, 2010, 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 financial statements of the Irvine Valley College Foundation as of June, 30, 2009 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 30, 2009.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Irvine Valley College Foundation's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2010, 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.

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 18, 2010

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(with comparative totals as of June 30, 2009)

Assets	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 323,468	\$ 547,444
Investments, at fair value	833,520	447,009
Investments with the Foundation for California Community Colleges (FCCC)	147,690	89,395
Prepaid expenses	2,361	2,360
Total current assets	<u><u>\$ 1,307,039</u></u>	<u><u>\$ 1,086,208</u></u>
 Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 109,404	\$ 4,487
Trust accounts	80	1,966
Total current liabilities	<u>109,484</u>	<u>6,453</u>
 Net assets		
Unrestricted	6,082	58,826
Temporarily restricted	493,861	424,184
Permanently restricted	697,612	596,745
 Total net assets	<u>1,197,555</u>	<u>1,079,755</u>
Total liabilities and net assets	<u><u>\$ 1,307,039</u></u>	<u><u>\$ 1,086,208</u></u>

See accompanying notes to the basic financial statements.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Support and revenue					
Support					
Contributions	\$ -	\$ 361,457	\$ 72,498	\$ 433,955	\$ 431,563
Special events	110,807	-	-	110,807	-
In-kind donations	2,604	-	-	2,604	53,650
Donated services	366,598	-	-	366,598	349,007
Donated professional fees	13,937	-	-	13,937	12,851
Total support	493,946	361,457	72,498	927,901	847,071
Revenue					
Interest and dividends	1,932	10,831	-	12,763	22,437
Unrealized (loss)/gain on investments	(17,370)	14,203	-	(3,167)	(55,633)
Realized (loss)/gain on investments	-	(35)	-	(35)	-
Sales and commissions	64	73,001	4,929	77,994	41,286
Other revenue	123	37,212	-	37,335	72,194
Total revenue	(15,251)	135,212	4,929	124,890	80,284
Total support and revenue before net assets released from restriction	478,695	496,669	77,427	1,052,791	927,355
Net assets released from restrictions	460,177	(460,177)	-	-	-
Total support and revenue after net assets released from restriction	938,872	36,492	77,427	1,052,791	927,355
Expenses					
Program services	577,000	-	-	577,000	570,262
Supporting services					
Management and general	199,813	-	-	199,813	184,002
Fundraising	158,178	-	-	158,178	131,773
Total expenses	934,991	-	-	934,991	886,037
Transfer in (out)	(56,625)	33,185	23,440	-	-
Change in net assets	(52,744)	69,677	100,867	117,800	41,318
Net assets					
Beginning of year	58,826	424,184	596,745	1,079,755	1,038,437
End of year	\$ 6,082	\$ 493,861	\$ 697,612	\$ 1,197,555	\$ 1,079,755

See accompanying notes to the basic financial statements.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	Program Services	Management & General	Fundraising	Total	
				2010	2009
Salaries and benefits	\$ 72,519	\$ 184,900	\$ 109,179	\$ 366,598	\$ 349,007
Scholarship payments	267,770	-	-	267,770	180,874
Program activities	36,840	251	-	37,091	48,542
Special events	-	-	48,999	48,999	-
Professional fees	6,375	13,937	-	20,312	16,449
Contract services	51,493	137	-	51,630	74,722
Supplies and printing	52,057	-	-	52,057	63,443
Seminars and conferences	26,446	-	-	26,446	23,310
Dues and memberships	2,772	-	-	2,772	14,271
In-kind donations	2,604	-	-	2,604	53,650
Program equipment and software	29,550	-	-	29,550	9,007
General operating	28,574	588	-	29,162	52,762
Total	<u>\$ 577,000</u>	<u>\$ 199,813</u>	<u>\$ 158,178</u>	<u>\$ 934,991</u>	<u>\$ 886,037</u>

See accompanying notes to the basic financial statements.

IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 117,800	\$ 41,318
Adjustment to reconcile change in net assets to net cash provided for operations		
Unrealized loss on investments	3,167	55,633
Realized loss on investments	35	
Changes in operating assets and liabilities:		
(Increase) in prepaid expenses	(1)	(50)
Increase in accounts payable	104,917	1,611
(Decrease) in trust accounts	(1,886)	(140)
Net cash provided by operating activities	<u>224,032</u>	<u>98,372</u>
Cash flows from investing activities:		
Purchase of investments	(1,329,081)	(106,232)
Proceeds on the sale of investments	881,073	-
Net cash used by investing activities	<u>(448,008)</u>	<u>(106,232)</u>
Net decrease in cash and cash equivalents	(223,976)	(7,860)
Cash and cash equivalents, beginning of year	<u>547,444</u>	<u>555,304</u>
Cash and cash equivalents, end of year	<u>\$ 323,468</u>	<u>\$ 547,444</u>

See accompanying notes to the basic financial statements.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

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 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	\$ 396,755
Scholarships	<u>97,106</u>
Total	<u><u>\$ 493,861</u></u>

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

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 are available for the following purposes:

Program Support	\$ 226,026
Scholarships	<u>471,586</u>
Total	<u><u>\$ 697,612</u></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 account 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.

Donated Assets and Services

The Foundation records the value of donated services when there is an objective basis available to measure the 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 items are accepted by the Foundation on behalf of Irvine Valley College.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Allocations 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2009, from which the summarized information was derived.

Recent Accounting Pronouncements

Effective July 1, 2009, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 (Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48)). ASC 740 establishes standards for the recognition of income taxes for tax positions taken in income tax returns. In December 2008, the FASB deferred the effective date for exempt organizations for years beginning after December 15, 2008. The adoption of ASC 740 did not have an impact on the Foundation's financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

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, 2010, the bank balance for the Foundation of \$263,135 was entirely insured and collateralized as described above. The book balance for the Foundation was \$163,854.

In addition, the Foundation maintains cash and investment balances with a credit worthy, high quality financial institution. The financial institution that held the cash and investment balances provided up to \$500,000 protection, including \$100,000 for cash, through Securities Investor Protection Corporation (SIPC).

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. Investments are comprised of money market funds and marketable securities. The fair value at June 30, 2010 is as follows:

Level 1	Fair Value
Mutual Funds	\$ 833,522

FASB ASC 820-10 (Statement of Financial Accounting Standards No. 157, "Fair Value Measurements") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair values of mutual funds and common stocks are based on quoted market prices, when available.

Level 2 Fair Value Measurements

The fair values are based on underlying investments which are traded on an active market.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 4 - INVESTMENTS (continued)

Level 3 Fair Value Measurements

The fair values are determined by 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, 2010:

Unrealized loss on investments	\$ (3,203)
Interest and dividend income	12,763
Investment income, net	<u>\$ 9,560</u>

NOTE 5 - INVESTMENTS WITH THE 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 (FCCC). The Endowment has been set up to provide matching scholarship 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.

The Foundation has also transferred \$58,295 to the California Community Colleges Scholarship Endowment during fiscal year 2010. These funds will be invested in a pooled investment fund held by the Foundation for California Community Colleges (FCCC). At June 30, 2010 the fair value of this investment was \$145,982, and included investment losses of \$1,708. 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 Irvine Valley College. Accordingly, \$80 of assets as of June 30, 2010 belongs to other parties. The Foundation does not have discretion over the funds held on behalf of others.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$460,177 were released from temporary donor restrictions during the fiscal year. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 8 - ENDOWMENT

The Foundation's endowment consists of 37 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 (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 8 - ENDOWMENT (continued)

Endowment net asset composition by fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, end of year	\$ (29,842)	\$ 51,525	\$ 697,612	\$ 719,295

Changes in endowment net assets by fund as of June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (25,744)	\$ 38,646	\$ 596,745	\$ 609,647
Investment return:				
Investment income	-	10,831	-	10,831
Net realized and unrealized gain	-	14,167	-	14,167
Total investment return	-	24,998	-	24,998
Contributions	-	12,298	77,427	89,725
Program Income	-	1,259		1,259
Transfer in	-	-	23,440	23,440
Appropriation of endowment assets for expenditure	-	(29,774)	-	(29,774)
Other charges				
Transfer of underwater endowment balances	(4,098)	4,098	-	-
Endowment net assets, end of year	\$ (29,842)	\$ 51,525	\$ 697,612	\$ 719,295

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 8 - ENDOWMENT (continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) as of June 30, 2010:

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	\$697,612
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Temporarily Restricted Net Assets

Purpose restricted endowment	\$51,525
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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 \$4,098 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred 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.

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.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010**

NOTE 8 - ENDOWMENT (continued)

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 proceeding 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 - 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 and foundation specialist 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 \$366,598 of salaries and benefits and \$13,937 for contract services. These donated services have been reflected in the financial statements as revenues under donated services and donated legal fees/audit 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.

NOTE 10 - SUBSEQUENT EVENTS

In accordance with FASB ASC 855 (SFAS 165), Subsequent Events, the Foundation has evaluated subsequent events through November 18, 2010, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.