

**OHLONE COLLEGE
FOUNDATION**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2018 AND 2017**

OHLONE COLLEGE FOUNDATION

TABLE OF CONTENTS JUNE 30, 2018 AND 2017

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Ohlone College Foundation
Fremont, California**

Report on Financial Statements

We have audited the accompanying financial statements of Ohlone College Foundation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

To the Board of Directors of
Ohlone College Foundation
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohlone College Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 14, 2018

OHLONE COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 274,958	\$ 445,735
Investments, current	457,736	449,492
Accounts receivable	12,618	8,793
Current portion of pledges receivable	129,000	104,000
Prepaid expense and other assets	<u>230,767</u>	<u>240,561</u>
Total current assets	<u>1,105,079</u>	<u>1,248,581</u>
Noncurrent assets:		
Investments, non-current	3,383,850	3,240,048
Pledges receivable	4,000	33,000
Charitable remainder trust assets	<u>730,149</u>	<u>766,641</u>
Total noncurrent assets	<u>4,117,999</u>	<u>4,039,689</u>
TOTAL ASSETS	<u>\$ 5,223,078</u>	<u>\$ 5,288,270</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 35,340	\$ 5,862
Scholarships payable	207,055	234,614
Deferred revenue	8,250	
Liabilities to beneficiaries	<u>59,765</u>	<u>62,752</u>
Total current liabilities	<u>310,410</u>	<u>303,228</u>
Long-term liabilities:		
Scholarships payable	55,849	86,632
Liabilities to beneficiaries, net	<u>299,226</u>	<u>314,175</u>
Total long-term liabilities	<u>355,075</u>	<u>400,807</u>
Total liabilities	<u>665,485</u>	<u>704,035</u>
Net assets:		
Unrestricted	199,906	215,677
Temporarily restricted	2,327,187	2,353,058
Permanently restricted	<u>2,030,500</u>	<u>2,015,500</u>
Total net assets	<u>4,557,593</u>	<u>4,584,235</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,223,078</u>	<u>\$ 5,288,270</u>

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

OHLONE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 189,821	\$ 138,483		\$ 328,304
Special event revenues	292,227			292,227
Investment income, net	14,482	127,735		142,217
Change in value of charitable remainder trust assets		(18,556)		(18,556)
Transfers	(315)	(14,685)	\$ 15,000	
Net assets released from restrictions	<u>258,848</u>	<u>(258,848)</u>		
TOTAL SUPPORT AND REVENUES	<u>755,063</u>	<u>(25,871)</u>	<u>15,000</u>	<u>744,192</u>
EXPENSES				
Program services:				
Scholarships and awards	106,057			106,057
College instructional support	<u>117,179</u>			<u>117,179</u>
Total program services	<u>223,236</u>			<u>223,236</u>
Support services:				
Fundraising	403,387			403,387
Administrative	<u>144,211</u>			<u>144,211</u>
Total support services	<u>547,598</u>			<u>547,598</u>
TOTAL EXPENSES	<u>770,834</u>			<u>770,834</u>
CHANGE IN NET ASSETS	(15,771)	(25,871)	15,000	(26,642)
Net Assets- Beginning	<u>215,677</u>	<u>2,353,058</u>	<u>2,015,500</u>	<u>4,584,235</u>
Net Assets - Ending	<u>\$ 199,906</u>	<u>\$ 2,327,187</u>	<u>\$ 2,030,500</u>	<u>\$ 4,557,593</u>

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

OHLONE COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 189,666	\$ 231,108	\$ 36,000	\$ 456,774
Special event revenues	141,309			141,309
Investment income, net	25,808	288,636		314,444
Change in value of charitable remainder trust assets		21,735		21,735
Transfers	(25,025)	25,025		
Net assets released from restrictions	<u>438,303</u>	<u>(438,303)</u>		
TOTAL SUPPORT AND REVENUES	<u>770,061</u>	<u>128,201</u>	<u>36,000</u>	<u>934,262</u>
EXPENSES				
Program services:				
Scholarships and awards	251,051			251,051
College instructional support	<u>128,172</u>			<u>128,172</u>
Total program services	<u>379,223</u>			<u>379,223</u>
Support services:				
Fundraising	290,185			290,185
Administrative	<u>158,050</u>			<u>158,050</u>
Total support services	<u>448,235</u>			<u>448,235</u>
TOTAL EXPENSES	<u>827,458</u>			<u>827,458</u>
CHANGE IN NET ASSETS	(57,397)	128,201	36,000	106,804
Net Assets- Beginning	<u>273,074</u>	<u>2,224,857</u>	<u>1,979,500</u>	<u>4,477,431</u>
Net Assets - Ending	<u>\$ 215,677</u>	<u>\$ 2,353,058</u>	<u>\$ 2,015,500</u>	<u>\$ 4,584,235</u>

OHLONE COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (26,642)	\$ 106,804
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(38,292)	(220,623)
Change in value of charitable remainder trust assets	18,556	(21,735)
Donated investments		(36,023)
Changes in:		
Accounts receivable	(3,825)	779
Pledges receivable	4,000	4,000
Prepaid expense and other assets	9,646	(10,413)
Donated assets	148	(148)
Accounts payable	29,478	(2,230)
Scholarships	(58,342)	144,066
Deferred revenue	8,250	
Net cash used by operating activities	<u>(57,023)</u>	<u>(35,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(1,209,153)	(1,621,482)
Proceeds from sales and maturities of investments	1,058,104	1,540,884
Investment management fees	<u>37,295</u>	<u>33,589</u>
Net cash used by investing activities	<u>(113,754)</u>	<u>(47,009)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(170,777)	(82,532)
Cash and cash equivalents - Beginning	<u>445,735</u>	<u>528,267</u>
Cash and cash equivalents - Ending	<u>\$ 274,958</u>	<u>\$ 445,735</u>

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

OHLONE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. ORGANIZATION

Ohlone College Foundation (the Foundation), is a nonprofit public benefit corporation incorporated in the State of California on May 15, 1987 and organized to provide support to various programs and functions of Ohlone Community College District (the District), as well as to provide a link between the District and the community. The District and the Foundation have adopted a Master Agreement whereby the Foundation reasserted its status as an auxiliary organization of the District, pursuant to Title V of the California Code of Regulations. The Foundation is included as a component unit in the District's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue recognition – Contributions and bequests are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets are those net assets whose use by the Foundation is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Foundation, and consist of contributions to the Foundation's endowment fund.

Cash and equivalents – For financial statement purposes, the Foundation considers all investments with an initial maturity of three months or less to be cash equivalents unless held for long-term purposes.

The Foundation minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

Pledges receivable - Pledges receivable are unconditional promises to give which are recognized as contribution revenue and pledges receivable in the period they are pledged. Amounts expected to be collected within one year are recorded at net realizable value. As of June 30, 2018 and 2017 pledges receivable totaled \$133,000 and \$137,000, respectively. The Foundation expects that \$129,000 will be collected within one year and \$4,000 will be collected within two years. The Foundation has not historically had difficulty collecting amounts due from donors; therefore, no allowance for uncollectible accounts has been recorded. Conditional pledges receivable are not recorded until the conditions are substantially met.

Investments are stated at fair value and are held for long-term purposes.

OHLONE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Charitable remainder trust assets include the estimated fair value of various irrevocable charitable trusts in which the Foundation is the trustee and remainder beneficiary. The fair value of the Foundation's remainder interest in irrevocable trusts is determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and relevant discount rate. Irrevocable charitable trusts whose use is limited by the Foundation due to time or donor-imposed restrictions increase temporarily or permanently restricted net assets.

Liability to beneficiaries represents the present value of the liability due to primary beneficiaries of the irrevocable charitable remainder trusts for which the Foundation is both trustee and remainder beneficiary. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based upon actuarial assumptions. The present value of the estimated future payments is calculated using discount rates ranging from 7.0% to 7.8% and applicable mortality tables.

Scholarships payable represent liabilities due to scholarship recipients. The Ohlone Promise Scholarship pays for tuition, books and enrollment fees for two years at the District. The long-term portion of the scholarship liability is estimated based on the projected costs of the scholarship recipient's second year tuition, books and enrollments fees.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Functional expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources.

OHLONE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Income taxes – The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3), and is classified as a public charity within the meaning of Internal Revenue Code Section 509(a).

The Foundation has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2012.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events have been evaluated through November 14, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in the financial statements.

3. INVESTMENTS

The table below sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash equivalents	\$ 153,256		\$ 153,256
Fixed income securities:			
Asset backed		\$ 1,350,234	1,350,234
Mutual funds:			
Blend		393,848	393,848
Growth		125,437	125,437
Value		69,295	69,295
Foreign value		57,669	57,669
Foreign growth		9,424	9,424
Equity:			
Technology	408,968		408,968
Industrial goods	265,549		265,549
Financials	263,077		263,077
Consumer goods	245,365		245,365
Healthcare	224,378		224,378
Basic materials	164,883		164,883
Services	103,813		103,813
Energy	6,390		6,390
Total investments at fair value	<u>\$ 1,835,679</u>	<u>\$ 2,005,907</u>	<u>\$ 3,841,586</u>

OHLONE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

The table below sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash equivalents	\$ 172,872		\$ 172,872
Fixed income securities:			
Asset backed		\$ 1,271,589	1,271,589
Mutual funds:			
Blend		482,327	482,327
Growth		103,033	103,033
Value		28,577	28,577
Equity:			
Technology	306,396		306,396
Healthcare	284,549		284,549
Consumer goods	278,495		278,495
Industrial goods	245,775		245,775
Financials	217,810		217,810
Basic materials	180,821		180,821
Services	117,296		117,296
Total investments at fair value	<u>\$ 1,804,014</u>	<u>\$ 1,885,526</u>	<u>\$ 3,689,540</u>

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

	<u>2018</u>	<u>2017</u>
Net unrealized gains (losses)	\$ (49,509)	\$ 209,027
Realized gains	87,801	11,596
Interest and dividends	<u>103,925</u>	<u>93,821</u>
Total investment income	<u>\$ 142,217</u>	<u>\$ 314,444</u>

4. CHARITABLE REMAINDER TRUST ASSETS

The Foundations charitable remainder trust assets represent assets held in charitable remainder trusts in which the Foundation is both the trustee and the remainder beneficiary. Assets invested under these trusts and payments made to beneficiaries are based on the terms of the trust agreements. As of June 30, 2018, charitable remainder trust assets total \$730,149 and the associated liability to beneficiaries total \$358,991. As of June 30, 2017, charitable remainder trust assets total \$766,641 and the associated liability to beneficiaries total \$376,927. The Foundation's investments held in charitable remainder trusts are classified within Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

5. NET ASSETS

Temporarily restricted net assets represent unused funds for scholarships and District programs.

OHLONE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Permanently restricted net assets consist of donor restricted endowments assets.

The Foundation's Board of Directors (the Board) is charged with the responsibility of management of the endowed assets. To assist in carrying out this duty, the Foundation has adopted an investment policy that prioritizes preservation of capital, long-term growth, and adherence to the prudent person investment philosophy. To enact this policy, the Foundation's investment strategy emphasizes total return, assuming a level of risk consistent with reasonable and prudent investment practices for such funds. The Board believes that the policy is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, to ensure the prudent management of endowed funds in the disbursement of current earnings in support of the District, and to meet future needs established by the donor. Investment proceeds from permanently restricted endowments are used by the Foundation based upon the donor restrictions.

The Foundation's endowments include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. All accumulated unrealized appreciation and depreciation of endowment investments are recorded as directed by the donor gift. The funds are to be invested in perpetuity and interest and dividends are to be used per the donor intent. For each individual endowment, the Foundation will spend any available earnings on investments first, and the remaining is spent in accordance with the requirements as specified by the donor.

Permanently restricted net assets increased by \$15,000 due to a contribution received during the current fiscal year. The ending balance of permanently restricted net assets as of June 30, 2018 and 2017 is \$2,030,500 and \$2,015,500, respectively.

6. RELATED PARTIES

Ohlone Community College District

As described in Note 1, the Foundation's purpose is to support the District's students and programs. Therefore, transactions between the Foundation and the District are to be expected. In accordance with the Foundation's Bylaws, certain District personnel serve as ex-officio members of the Foundation's Board of Directors by virtue of their position at the District.

In exchange for support that the Foundation provides to the campus programs, the District contributes to the Foundation a minimum of 50% of all salaries and all related expenses incurred and paid by the District on behalf of the Foundation. For the years ended June 30, 2018 and 2017, the District contributed \$271,330 and \$306,853, respectively, to the Foundation for personnel-related costs and facility use. For the years ended June 30, 2018 and 2017, the Foundation paid the District \$127,846 and \$145,591, respectively, for salary and administrative costs.

The Foundation's receipt of noncash donations related to instructional support are contributed to the District. During the years ended June 30, 2018 and 2017, the Foundation contributed \$22,362 and \$1,961, respectively, of noncash donations to the District.