



AUDIT REPORT

FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
TABLE OF CONTENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4
Statement of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

To the Board of Directors of
The El Camino Community College District Foundation
Torrance, California

We have audited the accompanying financial statements of The El Camino Community College District Foundation (the "Foundation") which comprise the statement of financial position as of June 30, 2013 and June 30, 2012, and the related statements of activities, functional expenses, and 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 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 The El Camino Community College District Foundation as of June 30, 2013 and June 30, 2012, 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.

Christy White Associates

San Diego, California
September 6, 2013

FINANCIAL SECTION

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 75,532	\$ 301,148
Investments	7,495,407	6,863,820
Accounts receivable, net	2,000,000	1,676
Capital asset - artwork	-	4,500
Contributions receivable from split interest agreements	458,572	270,034
Beneficial interest in CCCS endowment	1,789,214	1,695,708
Total Assets	<u>\$ 11,818,725</u>	<u>\$ 9,136,886</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 55,928	\$ 72,256
Total liabilities	<u>55,928</u>	<u>72,256</u>
 Net assets		
Unrestricted	535,588	670,648
Temporarily restricted	5,072,062	4,740,819
Permanently restricted	6,155,147	3,653,163
Total net assets	<u>11,762,797</u>	<u>9,064,630</u>
Total Liabilities and Net Assets	<u>\$ 11,818,725</u>	<u>\$ 9,136,886</u>

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

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES								
Contributions	\$ 194,754	\$ 971,202	\$ 2,414,651	\$ 3,580,607	\$ 202,445	\$ 859,488	\$ 204,301	\$ 1,266,234
Donated materials and services	254,350	6,195	-	260,545	243,269	24,511	-	267,780
Investment income, net	24,402	513,097	87,333	624,832	41,682	217,854	(26,177)	233,359
Other income	-	2,800	-	2,800	-	-	-	-
Support and revenues	473,506	1,493,294	2,501,984	4,468,784	487,396	1,101,853	178,124	1,767,373
Donor restrictions satisfied	1,162,051	(1,162,051)	-	-	1,182,646	(1,182,646)	-	-
Total Support and Revenues	1,635,557	331,243	2,501,984	4,468,784	1,670,042	(80,793)	178,124	1,767,373
EXPENSES								
Program services	1,328,492	-	-	1,328,492	1,107,252	-	-	1,107,252
General and administrative	207,238	-	-	207,238	209,951	-	-	209,951
Fundraising	234,887	-	-	234,887	181,131	-	-	181,131
Total Expenses	1,770,617	-	-	1,770,617	1,498,334	-	-	1,498,334
CHANGE IN NET ASSETS	(135,060)	331,243	2,501,984	2,698,167	171,708	(80,793)	178,124	269,039
Net Assets - Beginning	670,648	4,740,819	3,653,163	9,064,630	498,940	4,821,612	3,475,039	8,795,591
Net Assets - Ending	\$ 535,588	\$ 5,072,062	\$ 6,155,147	\$ 11,762,797	\$ 670,648	\$ 4,740,819	\$ 3,653,163	\$ 9,064,630

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

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013				2012
	Program Services	General and Administrative	Fundraising	Total	Total
EXPENSES					
Salaries and wages	\$ 224,649	\$ 131,414	\$ 154,752	\$ 510,815	\$ 453,092
Grants, awards, and scholarships	779,488	-	1,589	781,077	717,403
Professional services	44,473	12,429	1,884	58,786	77,250
Hospitality	80,220	-	33,846	114,066	75,386
Facilities	859	27,819	1,339	30,017	29,795
Supplies and equipment	167,304	2,468	3,583	173,355	61,230
Printing and postage	4,417	856	19,362	24,635	23,799
Publications and advertising	383	-	3,000	3,383	2,601
Travel, conferences, and meetings	25,699	-	11,161	36,860	14,999
Other administrative	1,000	32,252	4,371	37,623	42,779
Total Expenses - 2013	\$ 1,328,492	\$ 207,238	\$ 234,887	\$ 1,770,617	
Total Expenses - 2012	\$ 1,107,252	\$ 209,951	\$ 181,131		\$ 1,498,334

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

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,698,167	\$ 269,039
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities		
Realized and unrealized gain on investments, net	(631,587)	(255,930)
Change in value of split interest agreements	(188,538)	(20,060)
Increase in operating assets		
Accounts receivable	(1,998,324)	-
(Decrease)/increase in operating liabilities		
Accounts payable	(16,328)	62,052
Net cash (used in)/provided by operating activities	<u>(136,610)</u>	<u>55,101</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment (appreciation)/depreciation on CCCS endowment	(87,333)	24,667
Osher contributions to CCCS endowment	(6,173)	(90,905)
Sale of investments	-	484,807
Contribution of capital asset - artwork	4,500	-
Purchase of investments	-	(506,090)
Net cash used in investing activities	<u>(89,006)</u>	<u>(87,521)</u>
NET DECREASE IN CASH	(225,616)	(32,420)
Cash and cash equivalents - Beginning	<u>301,148</u>	<u>333,568</u>
Cash and cash equivalents - Ending	<u>\$ 75,532</u>	<u>\$ 301,148</u>

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

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The El Camino Community College District Foundation (the “Foundation”), is a nonprofit public benefit corporation incorporated in the State of California on April 28, 1983 and organized to assist in the achievement and maintenance of a superior program of public education and community participation within the El Camino Community College District (the “College”) by receiving contributions from the public, raising funds, and making donations to educational, arts, cultural, athletic, and other programs of the College.

B. 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.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

D. 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 Directors 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 though 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 as specified by the donor or donor representative(s). Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

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.

F. Statement of 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.

The statement of functional expenses is an optional statement for the Foundation because it is not classified as a voluntary health and welfare organization. The presentation of comparative totals for the year ended June 30, 2012 is not a complete presentation under generally accepted accounting principles. The results from 2012 should be read in conjunction with the audited financial statements for the year ended June 30, 2012 from which this information was derived. Some items may have been reclassified.

G. Income Taxes

The Foundation is a 509(a)(1) publicly supported nonprofit Foundation 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 foundation. 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.

The Foundation's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Foundation's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013 AND 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

H. Cash and Cash Equivalents

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

I. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. All gains and losses on investments are reported as increases or decreases to net assets.

J. Property and Equipment

The Foundation has not adopted a policy to capitalize purchases of property and equipment as the Foundation has not made any significant purchases of property and equipment to date.

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value.

K. Fair Value Measurements

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.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2013 and June 30, 2012, consist of amounts held in interest bearing checking and money market accounts totaling \$75,532 and \$301,148, respectively.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The FDIC insures 100% of non-interest bearing accounts and up to \$250,000 of interest bearing accounts per depositor per insured bank. As of June 30, 2013, the Foundation’s bank deposits were not exposed to custodial credit risk.

NOTE 3 – INVESTMENTS

The Foundation maintains a portfolio of investments that are intended to provide investment income to be used for the Foundation’s programs and services. As of June 30, 2013 and June 30, 2012, the Foundation’s investments consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash, money market held in brokerage accounts	\$ 18,479	\$ 138,994
Investments in equity securities	4,032,622	3,707,681
Investment in bonds	3,444,306	3,017,145
Total investments	<u>\$ 7,495,407</u>	<u>\$ 6,863,820</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 and June 30, 2012 consist of pledges receivable of \$2,000,000 and \$1,676, respectively. On April 30, 2013, the Foundation entered into a contractual gift agreement for \$2,000,000 to establish the Noble Endowed Chair for Business (see Note 6).

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 5 – CONTRIBUTIONS RECEIVABLE FROM SPLIT INTEREST AGREEMENTS

The Foundation is the beneficiary of several split interest agreements related to charitable gift annuities held by an unrelated third party administrator. The Foundation recognizes the estimated future benefits as contributions revenue and receivable at present value in the period received. Adjustments to the receivable to reflect amortization of the discount on the lifetime annuity payments to the donor(s), as well as net appreciation or depreciation on the investments are recognized in the statement of activities as investment income.

As of June 30, 2013, the Foundation was the beneficiary of fifteen (15) split interest agreements. The fair value of the funds was \$796,644 and the present value of lifetime annuity payments to the donors was \$338,072. Thus, contributions receivable from split interest agreements as of June 30, 2013 was \$458,572.

As of June 30, 2012, the Foundation was the beneficiary of thirteen (13) split interest agreements. The fair value of the funds was \$539,383 and the present value of lifetime annuity payments to donors was \$269,349. Thus, contributions receivable from split interest agreements as of June 30, 2012 was \$270,034.

The change in recorded value for the years ended June 30, 2013 and June 30, 2012 is as follows:

	2013	2012
Balance - beginning of year	\$ 270,034	\$ 249,974
Contributions	185,738	54,124
Investment income (loss)	2,800	(34,064)
Balance - end of year	<u>\$ 458,572</u>	<u>\$ 270,034</u>

NOTE 6 - ENDOWMENTS

The Foundation's endowed funds, by net asset classification, as of June 30, 2013 and June 30, 2012 were as follows:

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Named Endowments	\$ 80,791	\$ 380,995	\$ 4,365,933	\$ 4,827,719	\$ 2,322,237
CCCS Endowment	-	93,328	1,789,214	1,882,542	1,736,187
Balance - June 30, 2013	<u>\$ 80,791</u>	<u>\$ 474,323</u>	<u>\$ 6,155,147</u>	<u>\$ 6,710,261</u>	
Balance - June 30, 2012	<u>\$ 20,791</u>	<u>\$ 384,470</u>	<u>\$ 3,653,163</u>		<u>\$ 4,058,424</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 6 – ENDOWMENTS (continued)

Named Endowments

The Foundation will establish a named endowment fund at the request of a donor for a minimum initial permanently restricted gift of \$10,000. Following the creation of the fund, scholarships, grants, and/or awards will be disbursed from the earnings on the endowed funds and in keeping with the donor's designations. As of June 30, 2013, the Foundation held 29 separate named endowments totaling \$4,827,719. Included in that amount is \$1,446,391 held in the Ella Rose Madden Endowment Fund, the income from which is to be used for cancer education in the training of persons in the care and special needs of cancer patients. Also included in the total named endowments amount is \$2,000,000 that was pledged on April 30, 2013 for the purpose of establishing the Noble Endowment, to support an endowed chair in the business department of the College.

The Foundation's Board of Directors is charged with the responsibility for 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 Foundation has adopted an endowment spending policy in compliance with the regulation of 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 College, and to meet future needs established by the donor. The Foundation has established a target annual spending policy of 5.5 percent of the most recent 36-month average market value of the endowed fund.

The Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the original donation, and (b) subsequent gifts to a named endowment fund, less distributions that draw the fund balance below its previously endowed balance when the Foundation deems it prudent to make such distributions. Earnings on endowed funds are classified as temporarily restricted net assets until such time as the Board of Directors adopts a resolution for appropriation.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 6 – ENDOWMENTS (continued)

Named Endowments (continued)

The change in the Foundation’s named endowments by net asset classification during the year ended June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2012	\$ 20,791	\$ 343,991	\$ 1,957,455	\$ 2,322,237
Contributions	60,000	-	2,408,478	2,468,478
Investment income	-	76,983	-	76,983
Appreciation (depreciation) of investments, net	-	175,532	-	175,532
Appropriated for expenditure	-	(215,511)	-	(215,511)
Balance - June 30, 2013	\$ 80,791	\$ 380,995	\$ 4,365,933	\$ 4,827,719

The change in the Foundation’s named endowments by net asset classification during the year ended June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2011	\$ 20,791	\$ 377,157	\$ 1,844,060	\$ 2,242,008
Contributions	-	-	113,395	113,395
Investment income	-	45,923	-	45,923
Appreciation (depreciation) of investments, net	-	23,749	-	23,749
Appropriated for expenditure	-	(102,838)	-	(102,838)
Balance - June 30, 2012	\$ 20,791	\$ 343,991	\$ 1,957,455	\$ 2,322,237

California Community Colleges Scholarship (CCCS) Endowment

In May 2008, the California Community Colleges Scholarship Endowment (the “CCCS Endowment”) was launched via a gift of \$25 million from the Bernard Osher Foundation (the “Osher Foundation”) to the Foundation for California Community Colleges (the “FCCC”). The FCCC and California’s community colleges were challenged with raising an additional \$50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to \$25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California’s community college system.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 6 – ENDOWMENTS (continued)

California Community Colleges Scholarship (CCCS) Endowment (continued)

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, all of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at El Camino College and the accumulated earnings, which does not include any funds contributed by the Osher Foundation. As of June 30, 2013 and June 30, 2012, the Foundation's beneficial interest in the CCCS Endowment totaled \$1,789,214 and \$1,695,708, respectively; inclusive of the CCCS Endowment funds to benefits students of El Camino College Compton Education Center (see Note 9). When coupled with funds distributed but not yet disbursed, the Foundation's net assets attributable to the CCCS Endowment are \$1,882,542 and \$1,736,187 as of June 30, 2013 and June 30, 2012, respectively.

In relation to the CCCS Endowment, this interpretation extends to the earnings on the fund, less distributions for scholarships made in conformance with the aforementioned agreements as determined by the FCCC. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the donation, and (b) net earnings on (a) less allowable distributions. Scholarship distributions made from the fund are classified as temporarily restricted income upon receipt of notification from the FCCC as to the amount and date of scheduled distributions.

The change in the Foundation's beneficial interest in the CCCS Endowment balance by net asset classification during the year ended June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2012	\$ -	\$ 40,479	\$ 1,695,708	\$ 1,736,187
Contributions	-	147,000	6,173	153,173
Investment income	-	3,669	-	3,669
Appreciation (depreciation) of investments, net	-	-	87,333	87,333
Appropriated for expenditure	-	(97,820)	-	(97,820)
Balance - June 30, 2013	\$ -	\$ 93,328	\$ 1,789,214	\$ 1,882,542

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 6 – ENDOWMENTS (continued)

California Community Colleges Scholarship (CCCS) Endowment (continued)

The change in the Foundation’s beneficial interest in Endowment balance by net asset classification during the year ended June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2011	\$ -	\$ 18,330	\$ 1,630,980	\$ 1,649,310
Contributions	-	36,333	90,905	127,238
Investment income	-	24,667	-	24,667
Appreciation (depreciation) of investments, net	-	-	(26,177)	(26,177)
Appropriated for expenditure	-	(38,851)	-	(38,851)
Balance - June 30, 2012	\$ -	\$ 40,479	\$ 1,695,708	\$ 1,736,187

NOTE 7 – FAIR VALUE MEASUREMENT

Assets measured at fair value on the recurring basis as of June 30, 2013 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Cash/money market funds	\$ 18,479	\$ -	\$ -	\$ -	\$ -
Equity securities	4,032,622	4,032,622	4,032,622	-	-
Bond funds	3,444,306	3,444,306	3,444,306	-	-
Total investments	7,495,407	7,476,928	7,476,928	-	-
Contributions receivable from split interest agreements	458,572	458,572	-	-	458,572
Beneficial interest in CCCS endowment	1,789,214	1,789,214	-	-	1,789,214
	\$ 9,743,193	\$ 9,724,714	\$ 7,476,928	\$ -	\$ 2,247,786

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 7 – FAIR VALUE MEASUREMENT (continued)

Assets measured at fair value on the recurring basis as of June 30, 2012 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Cash/money market funds	\$ 138,994	\$ -	\$ -	\$ -	\$ -
Equity securities	3,707,681	3,707,681	3,707,681	-	-
Bond funds	3,017,145	3,017,145	3,017,145	-	-
Total investments	6,863,820	6,724,826	6,724,826	-	-
Contributions receivable from split interest agreements	270,034	270,034	-	-	270,034
Beneficial interest in CCCS endowment	1,695,708	1,695,708	-	-	1,695,708
	<u>\$ 8,829,562</u>	<u>\$ 8,690,568</u>	<u>\$ 6,724,826</u>	<u>\$ -</u>	<u>\$ 1,965,742</u>

Contributions Receivable from split interest agreements

The Foundation has an irrevocable beneficial interest in several split interest agreements forming charitable trust annuities, which are managed and administered by an unrelated third party (see Note 5). During the year ended June 30, 2013, it was determined that measurement of the contributions receivable from split interest agreements is a fair value measurement on the recurring basis. The measurement is considered to be a Level 3 input within the fair value hierarchy because even though that measurement is based on the fair value of underlying assets and the present value of annuity payments discounted using factors published by the Internal Revenue Service, the inputs are reported to the Foundation by the third party administrator and are therefore deemed unobservable to the Foundation's management.

Beneficial interest in CCCS Endowment

The Foundation classifies its agreement with the FCCC and the CCCS Endowment as a perpetual trust held by an unrelated third party. The Foundation's beneficial interest in the CCCS Endowment is required to be measured on a recurring basis at fair value. Generally accepted accounting principles indicate that the fair value of the beneficial interest can be approximated by the fair value of the portion of the CCCS Endowment upon which the Foundation has an irrevocable beneficial interest, unless specific circumstances indicate otherwise. The Foundation's Board of Directors believes that no such circumstances exist. During the year ended June 30, 2013, the Foundation's beneficial interest in the CCCS Endowment was reclassified from Level 2 to Level 3 input within the fair value hierarchy because even though that measurement is based on the unadjusted fair value of assets held at the FCCC, the Foundation will never receive those assets nor have the ability to direct the FCCC to redeem them.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013 AND 2012

NOTE 8– NET ASSETS

A. Unrestricted Net Assets

Unrestricted net assets for the years ended June 30, 2013 and June 30, 2012 are as follow:

	<u>2013</u>	<u>2012</u>
Board designated		
Challenge Grant program	\$ 45,431	\$ 30,350
Charles fund	273,017	388,819
Total Board designated	<u>318,448</u>	<u>419,169</u>
Undesignated	<u>217,140</u>	<u>251,479</u>
Total Unrestricted Net Assets	<u>\$ 535,588</u>	<u>\$ 670,648</u>

B. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2013 and June 30, 2012 are as follow:

	<u>2013</u>	<u>2012</u>
Challenge Grant program	\$ 1,434,601	\$ 1,339,416
Center for the Arts	518,890	478,307
Receivable from split interest agreements	458,572	270,034
Other scholarships and programs	2,185,676	2,268,592
Distributable portion of endowments	474,323	384,470
Total Temporarily Restricted Net Assets	<u>\$ 5,072,062</u>	<u>\$ 4,740,819</u>

Donor restrictions satisfied during the years ended June 30, 2013 and June 30, 2012 include the following:

	<u>2013</u>	<u>2012</u>
Grants, program, and operating support	\$ 1,003,317	\$ 903,706
Stewardship fees	158,734	278,940
Total Donor Restrictions Released	<u>\$ 1,162,051</u>	<u>\$ 1,182,646</u>

C. Permanently Restricted Net Assets

Permanently restricted net assets for the years ended June 30, 2013 and June 30, 2012 consist of donor restricted endowment assets of \$6,155,147 and \$3,653,163, respectively (see Note 6).

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 9 – RELATED PARTIES

El Camino Community College District

As described in Note 1, the Foundation's purpose is to support the College's students and programs; therefore, transactions between the Foundation and the College, College personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, certain College personnel serve as ex-officio members of the Foundation's Board of Directors by virtue of their position at the College.

In exchange for support that the Foundation provides to the campus programs, the College contributes to the Foundation some portion of salaries and related expenses incurred and paid by the College on behalf of the Foundation. For the years ended June 30, 2013 and June 30, 2012, the College contributed \$254,350 and \$243,269, respectively, to the Foundation for personnel-related costs and \$17,100 per year in contributed use of facilities.

In August 2012, the Foundation disbursed \$188,567 to the Friends In Support of Improved Facilities at El Camino College in support of the College's 2012 Measure E general obligation bonds, which management has calculated as lower than the allowable expenditure to influence public opinion under the Foundation's election to participate in lobbying under Internal Revenue Code Section 501(h). A portion of this contribution was refunded to the Foundation in January 2013 in the amount of \$49,707. Of this amount, the Board elected to expend \$40,000 toward a sculpture, which is considered an in-kind distribution to the College.

El Camino College Compton Education Center

In August 2006, Compton Community College lost their accreditation and began operating under El Camino College's accreditation as a center of the El Camino Community College District. The purpose of the relationship is to allow for educational and related support services to remain available to residents of Compton while the campus is in the multi-year process of seeking accreditation as a two-year public college. The agreement between the entities provides for the eventual separation of the campus. As the CCCS Endowment (see Note 6) was formed after the center was established, the agreement with the Foundation for California Community Colleges names the Foundation as the recipient entity for CCCS Endowment distributions benefiting the Compton Education Center's students. The Foundation manages the CCCS endowment assets as a separate fund permanently designated for scholarships to students of Compton Education Center, which is valued at roughly fourteen percent (14%) of the CCCS endowment. When separation of the campus takes place, the reallocation of funds by the FCCC will be considered an extraordinary event under generally accepted accounting principles.

NOTE 10 - SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for the period from June 30, 2013 through September 6, 2013, the date the financial statements were available to be issued. In July 2013, the Board elected to transfer the full balance of \$420,000 held for the Center for the Arts to the College relieving the Foundation of all future responsibilities over such funds. Management did not identify any other transactions that require disclosure or that would have an impact on these financial statements.