

THE EL CAMINO COMMUNITY COLLEGE  
DISTRICT FOUNDATION

AUDIT REPORT

For the Years Ended  
June 30, 2012 and 2011



**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
AUDIT REPORT  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011  
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INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

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

We have audited the accompanying statement of financial position of The El Camino Community College District Foundation (the "Foundation"), as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Foundation's financial statements as of June 30, 2011 were audited by other auditors whose reported dated October 7, 2011, expressed an unqualified opinion on those financial statements.

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 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 2012 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012, 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.

*Christy White Associates*

San Diego, California  
October 15, 2012

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# FINANCIAL SECTION

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**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 301,148	\$ 333,568
Investments	6,863,820	6,585,097
Accounts receivable, net	1,676	1,676
Capital asset - artwork	4,500	4,500
Contributions receivable from split interest agreements	270,034	249,974
Beneficial interest in CCCS endowment	1,695,708	1,630,980
<b>Total Assets</b>	<b><u>\$ 9,136,886</u></b>	<b><u>\$ 8,805,795</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 72,256	\$ 10,204
<b>Total liabilities</b>	<b><u>72,256</u></b>	<b><u>10,204</u></b>
 Net assets		
Unrestricted	670,648	498,940
Temporarily restricted	4,740,819	4,821,612
Permanently restricted	3,653,163	3,475,039
<b>Total net assets</b>	<b><u>9,064,630</u></b>	<b><u>8,795,591</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 9,136,886</u></b>	<b><u>\$ 8,805,795</u></b>

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

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>								
Contributions	\$ 202,445	\$ 859,488	\$ 204,301	\$ 1,266,234	\$ 99,485	\$ 949,313	\$ 1,020,941	\$ 2,069,739
Donated materials and services	243,269	24,511	-	267,780	246,600	10,828	-	257,428
Net assets reclassified by donors	-	-	-	-	105,996	(235,706)	129,710	-
Investment income, net	41,682	217,854	(26,177)	233,359	56,763	1,015,831	-	1,072,594
Support and revenues	487,396	1,101,853	178,124	1,767,373	508,844	1,740,266	1,150,651	3,399,761
Donor restrictions satisfied	1,182,646	(1,182,646)	-	-	725,697	(725,697)	-	-
<b>Total Support and Revenues</b>	<b>1,670,042</b>	<b>(80,793)</b>	<b>178,124</b>	<b>1,767,373</b>	<b>1,234,541</b>	<b>1,014,569</b>	<b>1,150,651</b>	<b>3,399,761</b>
<b>EXPENSES</b>								
Program services	1,107,252	-	-	1,107,252	1,009,018	-	-	1,009,018
General and administrative	209,951	-	-	209,951	166,594	-	-	166,594
Fundraising	181,131	-	-	181,131	188,476	-	-	188,476
<b>Total Expenses</b>	<b>1,498,334</b>	<b>-</b>	<b>-</b>	<b>1,498,334</b>	<b>1,364,088</b>	<b>-</b>	<b>-</b>	<b>1,364,088</b>
<b>CHANGE IN NET ASSETS</b>	<b>171,708</b>	<b>(80,793)</b>	<b>178,124</b>	<b>269,039</b>	<b>(129,547)</b>	<b>1,014,569</b>	<b>1,150,651</b>	<b>2,035,673</b>
<b>Net Assets - Beginning</b>	<b>498,940</b>	<b>4,821,612</b>	<b>3,475,039</b>	<b>8,795,591</b>	<b>628,487</b>	<b>3,807,043</b>	<b>2,324,388</b>	<b>6,759,918</b>
<b>Net Assets - Ending</b>	<b>\$ 670,648</b>	<b>\$ 4,740,819</b>	<b>\$ 3,653,163</b>	<b>\$ 9,064,630</b>	<b>\$ 498,940</b>	<b>\$ 4,821,612</b>	<b>\$ 3,475,039</b>	<b>\$ 8,795,591</b>

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, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)**

	2012				2011
	Program Services	General and Administrative	Fundraising	Total	Total
<b>EXPENSES</b>					
Salaries and wages	\$ 210,849	\$ 123,458	\$ 118,785	\$ 453,092	\$ 428,773
Grants, awards, and scholarships	714,832	-	2,571	717,403	583,271
Professional services	57,620	17,880	1,750	77,250	144,152
Hospitality	43,272	-	32,114	75,386	55,025
Facilities	781	27,550	1,464	29,795	23,907
Supplies and equipment	57,040	1,498	2,692	61,230	43,018
Printing and postage	12,942	707	10,150	23,799	28,829
Publications and advertising	212	-	2,389	2,601	4,248
Travel, conferences, and meetings	8,521	259	6,219	14,999	24,730
Other administrative	1,183	38,599	2,997	42,779	28,135
<b>Total Expenses - 2012</b>	<b>\$ 1,107,252</b>	<b>\$ 209,951</b>	<b>\$ 181,131</b>	<b>\$ 1,498,334</b>	
<b>Total Expenses - 2011</b>	<b>\$ 1,009,018</b>	<b>\$ 166,594</b>	<b>\$ 188,476</b>		<b>\$ 1,364,088</b>

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 YEARS ENDED JUNE 30, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 269,039	\$ 2,035,673
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized gain on investments, net	(255,930)	(874,565)
Change in value of split interest agreements	(20,060)	(62,772)
Decrease in operating assets		
Promises to give	-	2
Prepaid expenses	-	16,479
Increase (decrease) in operating liabilities		
Accounts payable	62,052	(28,305)
<b>Net cash provided by operating activities</b>	<u>55,101</u>	<u>1,086,512</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distributions from CCCS endowment	24,667	25,000
Contributions to CCCS endowment	(90,905)	(1,020,941)
Sale of investments	484,807	-
Purchase of investments	(506,090)	(140,908)
<b>Net cash used in investing activities</b>	<u>(87,521)</u>	<u>(1,136,849)</u>
<b>NET DECREASE IN CASH</b>	(32,420)	(50,337)
<b>Cash and cash equivalents - Beginning</b>	<u>333,568</u>	<u>383,905</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 301,148</u>	<u>\$ 333,568</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, 2012 AND 2011

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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 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 as specified by the donor. 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, 2012 AND 2011

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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. 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.

G. Comparative Totals – Statement of Functional Expenses

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, 2011 is not a complete presentation under generally accepted accounting principles. The results from 2011 should be read in conjunction with the audited financial statements for the year ended June 30, 2011 from which this information was derived. Some items may have been reclassified.

H. 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, 2012 AND 2011

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

I. **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.

J. **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.

K. **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. Such donations are reported as unrestricted contributions unless the donor has placed a time or purpose restriction on the asset.

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.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012 AND 2011

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

M. 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2012 and June 30, 2011, consist of amounts held in interest bearing checking, and money market accounts totaling \$301,148 and \$333,568, 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, 2012, the Foundation had an uninsured asset balance of \$393,272 due to bank deposits in excess of the FDIC insurance limit. The Foundation has a policy of investing funds in excess of the FDIC insurance limit if not immediately needed to pay operational expenses.

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012 AND 2011**

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**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, 2012 and June 30, 2011, the Foundation's investments consisted of the following:

	2012	2011
Cash, money market held in brokerage accounts	\$ 138,994	\$ -
Investments in equity securities	3,707,681	3,419,025
Investment in bonds	3,017,145	3,166,072
Total investments	<u>\$ 6,863,820</u>	<u>\$ 6,585,097</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE FROM SPLIT INTEREST AGREEMENTS**

The Foundation is the beneficiary of several split interest agreements related to charitable gift annuities held at 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 donors, as well as net appreciation or depreciation on the investments are recognized in the statement of activities as investment income.

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 the donors was \$269,349. Thus, contributions receivable from split interest agreements as of June 30, 2012 was \$270,034.

As of June 30, 2011, the Foundation was the beneficiary of eleven (11) split interest agreements. The fair value of the funds was \$475,522 and the present value of lifetime annuity payments to donors was \$225,548. Thus, contributions receivable from split interest agreements as of June 30, 2011 was \$249,974.

The change in recorded value for the years ended June 30, 2012 and June 30, 2011 is as follows:

	2012	2011
Balance - beginning of year	\$ 249,974	\$ 187,202
Contributions	54,124	30,621
Investment income (loss)	(34,064)	32,151
Balance - end of year	<u>\$ 270,034</u>	<u>\$ 249,974</u>

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012 AND 2011**

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**NOTE 5 - ENDOWMENT**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowed scholarships/Madden	\$ 20,791	\$ 343,991	\$ 1,957,455	\$ 2,322,237
CCCS Endowment	-	40,479	1,695,708	1,736,187
Balance - June 30, 2012	\$ 20,791	\$ 384,470	\$ 3,653,163	\$ 4,058,424

**Endowed Scholarships, including the Ella Rose Madden Endowment Fund**

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, 2012, the Foundation held 29 separate named endowments totaling \$2,322,337. Included in that amount is \$1,376,848 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.

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 a endowment spending policy that seeks to establish equilibrium between the need to disburse current earnings in support of the College and the need to grow earnings over time to offset the effects of inflation. 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's Board of Directors interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of principal by maintaining the purchasing power of amounts contributed and making distributions each year at a reasonable spending rate. 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 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, 2012 AND 2011**

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**NOTE 5 – ENDOWMENT (continued)**

**Named Endowments, including the Ella Rose Madden Endowment Fund (continued)**

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	<u>\$ 20,791</u>	<u>\$ 343,991</u>	<u>\$ 1,957,455</u>	<u>\$ 2,322,237</u>

The change in the Foundation’s named endowments by net asset classification during the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2010	\$ 20,791	\$ 112,634	\$ 1,785,694	\$ 1,919,119
Contributions	-	-	58,366	58,366
Investment income	-	252,176	-	252,176
Appreciation (depreciation) of investments, net	-	117,252	-	117,252
Appropriated for expenditure	-	(104,905)	-	(104,905)
Balance - June 30, 2011	<u>\$ 20,791</u>	<u>\$ 377,157</u>	<u>\$ 1,844,060</u>	<u>\$ 2,242,008</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012 AND 2011

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NOTE 5 – ENDOWMENT (*continued*)

**Beneficial interest in the California Community Colleges Scholarship 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.

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, 2012 and June 30, 2011, the Foundation’s beneficial interest in the CCCS Endowment totaled \$1,695,708 and \$1,630,980, respectively, inclusive of the CCCS Endowment funds to benefits students of El Camino College Compton Education Center (see note 8). When coupled with funds distributed but not yet disbursed, the Foundation’s net assets attributable to the CCCS Endowment are \$1,738,255 and \$1,649,310 as of June 30, 2012 and June 30, 2011, respectively.

The Foundation’s Board of Directors interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012 AND 2011**

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**NOTE 5 – ENDOWMENT (continued)**

**Beneficial interest in the California Community Colleges Scholarship Endowment (continued)**

The change in the Foundation’s beneficial interest in the CCCS 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

The change in the Foundation’s beneficial interest in Endowment balance by net asset classification during the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2010	\$ -	\$ 11,256	\$ 494,130	\$ 505,386
Contributions	-	-	1,020,941	1,020,941
Investment income	-	25,000	-	25,000
Appreciation (depreciation) of investments, net	-	-	115,909	115,909
Appropriated for expenditure	-	(17,926)	-	(17,926)
Balance - June 30, 2011	\$ -	\$ 18,330	\$ 1,630,980	\$ 1,649,310

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012 AND 2011**

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**NOTE 6 – FAIR VALUE MEASUREMENT**

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>

Assets measured at fair value on the recurring basis as of June 30, 2011 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Equity securities	\$ 3,419,025	\$ 3,419,025	\$ 3,419,025	\$ -	\$ -
Bond funds	3,166,072	3,166,072	3,166,072	-	-
Total investments	6,585,097	6,585,097	6,585,097	-	-
Contributions receivable from split interest agreements	249,974	-	-	-	-
Beneficial interest in CCCS endowment	1,630,980	1,630,980	-	1,630,980	-
	<u>\$ 8,466,051</u>	<u>\$ 8,216,077</u>	<u>\$ 6,585,097</u>	<u>\$ 1,630,980</u>	<u>\$ -</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2012 AND 2011

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NOTE 6 – FAIR VALUE MEASUREMENT (*continued*)

**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 4). During the year ended June 30, 2012, 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 as an irrevocable split interest agreement 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, 2012, 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, 2012 AND 2011**

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**NOTE 7 – NET ASSETS**

**Unrestricted Net Assets**

Unrestricted net assets for the years ended June 30, 2012 and June 30, 2011 are as follow:

	<u>2012</u>	<u>2011</u>
Board designated		
Challenge Grant program	\$ 30,350	\$ 37,524
Charles fund	388,819	374,222
Total Board designated	<u>419,169</u>	<u>411,746</u>
Undesignated	<u>251,479</u>	<u>87,194</u>
Total Unrestricted Net Assets	<u>\$ 670,648</u>	<u>\$ 498,940</u>

**Temporarily Restricted Net Assets**

Temporarily restricted net assets for the years ended June 30, 2012 and June 30, 2011 are as follow:

	<u>2012</u>	<u>2011</u>
Challenge grant program	\$ 1,339,416	\$ 1,317,809
Center for the Arts	478,307	472,988
Receivable from split interest agreements	270,034	249,974
Other scholarships and programs	2,268,592	2,403,684
Distributable portion of endowments	384,470	377,157
Total Temporarily Restricted Net Assets	<u>\$ 4,740,819</u>	<u>\$ 4,821,612</u>

Donor restrictions satisfied during the years ended June 30, 2012 and June 30, 2011 include the following:

	<u>2012</u>	<u>2011</u>
Grants, program, and operating support	\$ 903,706	\$ 487,640
Stewardship fees	278,940	238,057
Total Donor Restrictions Released	<u>\$ 1,182,646</u>	<u>\$ 725,697</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets for the years ended June 30, 2012 and June 30, 2011 consist of donor restricted endowment assets (see note 5).

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012 AND 2011**

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**NOTE 8 – 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, 2012 and June 30, 2011, the College contributed \$243,269 and \$246,600, respectively, to the Foundation for personnel-related costs and \$17,100 per year in contributed use of facilities.

**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 5) 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. 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 9 - SUBSEQUENT EVENTS**

The Foundation's management has evaluated subsequent events for the period from June 30, 2012 through October 15, 2012, the date the financial statements were available to be issued. In August 2012, the Foundation disbursed \$188,567 in support of the District's 2012 bond measure, 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).

Management did not identify any other transactions that require disclosure or that would have an impact on these financial statements.