



## AUDIT REPORT

FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
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FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

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 consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated 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 consolidated 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 consolidated 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

## **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, 2015 and 2014, 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.

## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of The El Camino Community College District Foundation taken as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Christy White Associates*

San Diego, California  
September 15, 2015

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## **FINANCIAL SECTION**

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**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 89,659	\$ 191,285
Investments	7,835,649	7,704,785
Pledge receivable	1,721,739	1,670,916
Contributions receivable from split interest agreements	463,000	498,802
Beneficial interest in CCCS endowment	1,907,189	1,982,747
Security deposit	16,700	16,700
<b>Total Assets</b>	<u>\$ 12,033,936</u>	<u>\$ 12,065,235</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 11,222	\$ 9,927
Tenant security deposits	14,822	-
<b>Total liabilities</b>	<u>26,044</u>	<u>9,927</u>
Net assets		
Unrestricted	381,483	443,050
Temporarily restricted	5,205,816	5,368,117
Permanently restricted	6,420,593	6,244,141
<b>Total net assets</b>	<u>12,007,892</u>	<u>12,055,308</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 12,033,936</u>	<u>\$ 12,065,235</u>

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

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>								
Contributions	\$ 188,603	\$ 913,389	\$ 252,010	\$ 1,354,002	\$ 161,236	\$ 797,408	\$ 224,545	\$ 1,183,189
Donated materials and services	234,392	12,097	-	246,489	257,150	7,202	-	264,352
Investment income, net	5,451	249,567	(75,558)	179,460	49,916	995,707	193,533	1,239,156
Rental income	188,737	-	-	188,737	28,757	-	-	28,757
Other income	-	-	-	-	-	40,229	-	40,229
Support and revenues	617,183	1,175,053	176,452	1,968,688	497,059	1,840,546	418,078	2,755,683
Donor restrictions satisfied	1,337,354	(1,337,354)	-	-	1,544,491	(1,544,491)	-	-
<b>Total Support and Revenues</b>	<b>1,954,537</b>	<b>(162,301)</b>	<b>176,452</b>	<b>1,968,688</b>	<b>2,041,550</b>	<b>296,055</b>	<b>418,078</b>	<b>2,755,683</b>
<b>EXPENSES</b>								
Program services	1,501,389	-	-	1,501,389	1,658,307	-	-	1,658,307
General and administrative	236,484	-	-	236,484	239,302	-	-	239,302
Fundraising	278,231	-	-	278,231	236,479	-	-	236,479
<b>Total Expenses</b>	<b>2,016,104</b>	<b>-</b>	<b>-</b>	<b>2,016,104</b>	<b>2,134,088</b>	<b>-</b>	<b>-</b>	<b>2,134,088</b>
<b>CHANGE IN NET ASSETS</b>	<b>(61,567)</b>	<b>(162,301)</b>	<b>176,452</b>	<b>(47,416)</b>	<b>(92,538)</b>	<b>296,055</b>	<b>418,078</b>	<b>621,595</b>
<b>Net Assets - Beginning, as restated</b>	<b>443,050</b>	<b>5,368,117</b>	<b>6,244,141</b>	<b>12,055,308</b>	<b>535,588</b>	<b>5,072,062</b>	<b>5,826,063</b>	<b>11,433,713</b>
<b>Net Assets - Ending</b>	<b>\$ 381,483</b>	<b>\$ 5,205,816</b>	<b>\$ 6,420,593</b>	<b>\$ 12,007,892</b>	<b>\$ 443,050</b>	<b>\$ 5,368,117</b>	<b>\$ 6,244,141</b>	<b>\$ 12,055,308</b>

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

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)**

	2015				2014
	Program Services	General and Administrative	Fundraising	Total	Total
<b>EXPENSES</b>					
Salaries and wages	\$ 232,623	\$ 130,408	\$ 200,185	\$ 563,216	\$ 543,393
Grants, awards, and scholarships	848,095	-	1,182	849,277	633,251
Professional services	60,829	13,596	11,429	85,854	39,486
Hospitality	62,236	-	34,973	97,209	83,111
Facilities	231,992	28,762	1,547	262,301	170,913
Construction and maintenance	14,286	-	-	14,286	9,116
Special Events	1,255	-	-	1,255	2,920
Transfer to College*	-	-	-	-	420,000
Supplies and equipment	29,934	1,183	735	31,852	85,220
Printing and postage	2,379	485	15,171	18,035	19,816
Publications and advertising	-	-	1,817	1,817	2,955
Travel, conferences, and meetings	17,430	-	6,539	23,969	54,606
Other administrative	330	62,050	4,653	67,033	69,301
<b>Total Expenses - 2015</b>	<b>\$ 1,501,389</b>	<b>\$ 236,484</b>	<b>\$ 278,231</b>	<b>\$ 2,016,104</b>	
<b>Total Expenses - 2014</b>	<b>\$ 1,658,307</b>	<b>\$ 239,302</b>	<b>\$ 236,479</b>		<b>\$ 2,134,088</b>

\*There was a one-time transfer to the College during 2013-14 that was attributed to funds previously held for the Center for the Arts (see Note 10).

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



**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (47,416)	\$ 621,595
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities		
Realized and unrealized gain on investments, net	(290,820)	(290,538)
Change in value of split interest agreements	35,802	(40,230)
Increase in operating assets		
Pledge receivable	(50,823)	-
Security deposit	-	(16,700)
Increase (decrease) in operating liabilities		
Accounts payable	1,295	(46,001)
<b>Net cash (used in)/provided by operating activities</b>	<u>(351,962)</u>	<u>228,126</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment appreciation on CCCS endowment	76,144	(193,533)
Osher contributions to CCCS endowment	(586)	-
Contributions to named endowments	(500,789)	(338,840)
Appropriated use of investment funds	675,567	-
Transfer of Center for the Arts principal balance	-	420,000
<b>Net cash provided by/(used in) investing activities</b>	<u>250,336</u>	<u>(112,373)</u>
<b>NET (DECREASE)/INCREASE IN CASH</b>	(101,626)	115,753
<b>Cash and cash equivalents - Beginning</b>	<u>191,285</u>	<u>75,532</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 89,659</u>	<u>\$ 191,285</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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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.

In November 2013, the Foundation established the 1646 Cabrillo, LLC (the “LLC”) as a California limited liability company for the purposes of leasing, managing, developing, and operating real property intended for housing to benefit the students of the College. The Foundation is the sole statutory member of the LLC. As such, the LLC is deemed a “disregarded entity” and its financial information is consolidated with the Foundation.

B. 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 Articles of Incorporation and 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 typically place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

C. 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.

D. Principles of Consolidation

The accompanying financial statements include the accounts of the Foundation and the LLC. Intercompany accounts and transactions have been eliminated in consolidation.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015 AND 2014

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. 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.

F. Contributions

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

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

G. Statement of Functional Expenses

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

The consolidated 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, 2014 is not a complete presentation under generally accepted accounting principles. The results from 2014 should be read in conjunction with the audited financial statements for the year ended June 30, 2014 from which this information was derived. Some items may have been reclassified.

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.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015 AND 2014

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**J. Receivables and Allowances**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowances for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Foundation establishes or adjusts the allowances for specific revenue sources as a whole. At June 30, 2014 and at June 30, 2015, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

**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.

**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, 2015 AND 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. 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.

As a single-member limited liability company, the LLC is classified as a disregarded entity for federal income tax purposes unless a separate election is made to be treated as a corporation. No such election has been made, thus, the activities of the LLC are reflected in the owner’s (the Foundation’s) federal tax return. California treats the LLC and its owners for income tax purposes in the same manner the LLC is treated for federal tax purposes.

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.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2015 and June 30, 2014, consist of amounts held in interest bearing checking and money market accounts totaling \$89,659 and \$191,285, respectively. The FDIC insures up to \$250,000 of accounts per depositor per insured bank. As of June 30, 2015, the Foundation’s bank deposits were not exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to it.

**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, 2015 and June 30, 2014, the Foundation’s investments consisted of the following:

	2015	2014
Cash, money market held in brokerage accounts	\$ 14,226	\$ 31,391
Investments in equity securities	2,331,555	3,552,901
Investment in bonds	2,865,242	2,398,476
Investment in other assets	2,624,626	1,722,017
<b>Total Investments</b>	<b>\$ 7,835,649</b>	<b>\$ 7,704,785</b>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015 AND 2014

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**NOTE 3 – INVESTMENTS (continued)**

The following summarizes the investment income and its classification in the statement of activities:

	2015	2014
Interest and dividends	\$ 233,165	\$ 210,117
Realized gain/(loss)	87,398	189,480
Unrealized gain/(loss)	(141,103)	839,559
<b>Total Investment Income, Net</b>	<b>\$ 179,460</b>	<b>\$ 1,239,156</b>

**NOTE 4 – PLEDGE RECEIVABLE**

In April 2013, the Foundation received a promise to give of \$2,000,000 toward a named endowment for the purpose of establishing the Noble Endowment (see Note 6 on endowments). In late 2014, it became clear that the terms of the promise to give were to be transferred to the Foundation upon the death of the donor. The \$2,000,000 pledge has been adjusted to present value based on an estimate of 6 years for time of payment and an interest rate of 3 percent (see Note 11 for prior period adjustment). As such, the pledge receivable as of June 30, 2014 is valued at \$1,670,916. The discounted amount attributed to the pledge has been recorded as a permanently restricted contribution in the year ended June 30, 2015 for \$50,823. As of June 30, 2015, the pledge receivable is valued at \$1,721,739. Each year the pledge receivable will be adjusted until paid to increase the pledge receivable as well as record contribution income. Future expected contributions to permanently restricted net assets are as follows:

<b>Present value of pledge at June 30, 2014</b>	\$ 1,670,916
Contribution income	50,823
<b>Present value of pledge at June 30, 2015</b>	<b>\$ 1,721,739</b>
Plus expected future contributions due to discount on pledge:	
During the fiscal year ending June 30,	
2016	52,368
2017	53,961
2018	55,602
2019	57,294
2020	59,036
Total expected future contributions	278,261
<b>Future value of pledge due upon receipt</b>	<b>\$ 2,000,000</b>

**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.

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015 AND 2014**

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**NOTE 5 – CONTRIBUTIONS RECEIVABLE FROM SPLIT INTEREST AGREEMENTS (continued)**

As of June 30, 2015, the Foundation was the beneficiary of sixteen (16) split interest agreements. The fair value of the funds was \$770,666 and the present value of lifetime annuity payments to the donors was \$307,666. Thus, contributions receivable from split interest agreements as of June 30, 2015 was \$463,000. As of June 30, 2014, the Foundation was the beneficiary of fifteen (15) split interest agreements. The fair value of the funds was \$805,357 and the present value of lifetime annuity payments to donors was \$306,555. Thus, contributions receivable from split interest agreements as of June 30, 2014 was \$498,802.

The change in recorded value for the years ended June 30, 2015 and June 30, 2014 is as follows:

	2015	2014
Balance - beginning of year	\$ 498,802	\$ 458,572
Contributions	29,743	-
Investment income, net	(65,545)	40,230
Balance - end of year	<u>\$ 463,000</u>	<u>\$ 498,802</u>

**NOTE 6 - ENDOWMENTS**

The Foundation's endowed funds, by net asset classification, as of June 30, 2015 and June 30, 2014 were as follows:

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Named Endowments	\$ 83,405	\$ 1,096,716	\$ 4,513,404	\$ 5,693,525	\$ 5,194,420
CCCS Endowment	-	29,979	1,907,189	1,937,168	2,089,107
<b>Balance - June 30, 2015</b>	<u>\$ 83,405</u>	<u>\$ 1,126,695</u>	<u>\$ 6,420,593</u>	<u>\$ 7,630,693</u>	
<b>Balance - June 30, 2014, restated</b>	<u>\$ 83,405</u>	<u>\$ 955,981</u>	<u>\$ 6,244,141</u>		<u>\$ 7,283,527</u>

**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, 2015, the Foundation held 40 separate named endowments totaling \$5,693,525. Included in that amount is \$1,603,480 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 \$1,721,739 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 EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015 AND 2014

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NOTE 6 – ENDOWMENTS (continued)

Named Endowments (continued)

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 change in the Foundation’s named endowments by net asset classification during the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2014, restated	\$ 83,405	\$ 849,621	\$ 4,261,394	\$ 5,194,420
Contributions	-	248,779	252,010	500,789
Investment income	-	56,456	-	56,456
Appreciation (depreciation) of investments, net	-	113,177	-	113,177
Appropriated for expenditure	-	(171,317)	-	(171,317)
<b>Balance - June 30, 2015</b>	<b>\$ 83,405</b>	<b>\$ 1,096,716</b>	<b>\$ 4,513,404</b>	<b>\$ 5,693,525</b>



**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 AND 2014**

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**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, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2013, restated	\$ 80,791	\$ 380,995	\$ 4,036,849	\$ 4,498,635
Contributions	2,614	111,681	224,545	338,840
Investment income	-	84,084	-	84,084
Appreciation (depreciation) of investments, net	-	408,468	-	408,468
Appropriated for expenditure	-	(135,607)	-	(135,607)
<b>Balance - June 30, 2014, restated</b>	<b>\$ 83,405</b>	<b>\$ 849,621</b>	<b>\$ 4,261,394</b>	<b>\$ 5,194,420</b>

**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.

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, 2015 and June 30, 2014, the Foundation’s beneficial interest in the CCCS Endowment totaled \$1,907,189 and \$1,982,747, respectively; inclusive of the CCCS Endowment funds to benefits students of El Camino College Compton Education Center (see Note 10). When coupled with funds distributed but not yet disbursed, the Foundation’s net assets attributable to the CCCS Endowment are \$1,937,168 and \$2,089,107 as of June 30, 2015 and June 30, 2014, 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 EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015 AND 2014

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NOTE 6 – ENDOWMENTS (continued)

**California Community Colleges Scholarship (CCCS) 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, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2014	\$ -	\$ 106,360	\$ 1,982,747	\$ 2,089,107
Contributions	-	71,000	586	71,586
Investment income	-	-	47,352	47,352
Appreciation (depreciation) of investments, net	-	-	(28,590)	(28,590)
Appropriated for expenditure	-	(147,381)	(94,906)	(242,287)
<b>Balance - June 30, 2015</b>	<b>\$ -</b>	<b>\$ 29,979</b>	<b>\$ 1,907,189</b>	<b>\$ 1,937,168</b>

The change in the Foundation’s beneficial interest in Endowment balance by net asset classification during the year ended June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2013	\$ -	\$ 93,328	\$ 1,789,214	\$ 1,882,542
Contributions	-	136,000	-	136,000
Investment income	-	-	-	-
Appreciation (depreciation) of investments, net	-	-	193,533	193,533
Appropriated for expenditure	-	(122,968)	-	(122,968)
<b>Balance - June 30, 2014</b>	<b>\$ -</b>	<b>\$ 106,360</b>	<b>\$ 1,982,747</b>	<b>\$ 2,089,107</b>

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015 AND 2014**

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**NOTE 7 – FAIR VALUE MEASUREMENT**

Assets measured at fair value on the recurring basis as of June 30, 2015 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Cash/money market funds	\$ 14,226	\$ -	\$ -	\$ -	\$ -
Equity securities	2,331,555	2,331,555	2,331,555	-	-
Bond funds	2,865,242	2,865,242	2,865,242	-	-
Other assets	2,624,626	2,624,626	2,624,626	-	-
Total investments	7,835,649	7,821,423	7,821,423	-	-
Pledge receivable	1,721,739	1,721,739	-	-	1,721,739
Contributions receivable from split interest agreements	463,000	463,000	-	-	463,000
Beneficial interest in CCCS endowment	1,907,189	1,907,189	-	-	1,907,189
	<u>\$ 11,927,577</u>	<u>\$ 11,913,351</u>	<u>\$ 7,821,423</u>	<u>\$ -</u>	<u>\$ 4,091,928</u>

Assets measured at fair value on the recurring basis as of June 30, 2014 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Cash/money market funds	\$ 31,391	\$ -	\$ -	\$ -	\$ -
Equity securities	3,552,901	3,552,901	3,552,901	-	-
Bond funds	2,398,476	2,398,476	2,398,476	-	-
Other assets	1,722,017	1,722,017	1,722,017	-	-
Total investments	7,704,785	7,673,394	7,673,394	-	-
Pledge receivable	1,670,916	1,670,916	-	-	1,670,916
Contributions receivable from split interest agreements	498,802	498,802	-	-	498,802
Beneficial interest in CCCS endowment	1,982,747	1,982,747	-	-	1,982,747
	<u>\$ 11,857,250</u>	<u>\$ 11,825,859</u>	<u>\$ 7,673,394</u>	<u>\$ -</u>	<u>\$ 4,152,465</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015 AND 2014

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NOTE 7 – FAIR VALUE MEASUREMENT (*continued*)

**Pledge Receivable**

The Foundation holds a pledge receivable expected to be paid in full upon the death of the donor (see Note 4). The measurement is considered to be a Level 3 input within the fair value hierarchy because even though the measurement is based on the fair value using the present value method over the expected remaining life of the donor using data available from the Social Security Administration and an interest rate of three percent, the inputs are deemed unobservable by the Foundation’s management until collected.

**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, 2015, 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.

NOTE 8– NET ASSETS

A. **Unrestricted Net Assets**

Unrestricted net assets for the years ended June 30, 2015 and June 30, 2014 are as follows:

	2015	2014
Board designated		
Challenge Grant program	\$ 50,289	\$ 65,889
Charles fund	107,250	175,274
1646 Cabrillo, LLC	6,471	38,677
Total Board designated	164,010	279,840
Undesignated	217,473	163,210
<b>Total Unrestricted Net Assets</b>	<b>\$ 381,483</b>	<b>\$ 443,050</b>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015 AND 2014

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NOTE 8– NET ASSETS (*continued*)

**B. Temporarily Restricted Net Assets**

Temporarily restricted net assets for the years ended June 30, 2015 and June 30, 2014 are as follows:

	2015	2014
Challenge Grant program	\$ 1,648,534	\$ 1,614,738
Receivable from split interest agreements	463,000	498,802
Other scholarships and programs	1,967,587	2,298,596
Distributable portion of endowments	1,126,695	955,981
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 5,205,816</b>	<b>\$ 5,368,117</b>

Donor restrictions satisfied during the years ended June 30, 2015 and June 30, 2014 include the following:

	2015	2014
Grants, program, and operating support	\$ 1,019,755	\$ 1,306,937
Stewardship fees	317,599	237,554
<b>Total Donor Restrictions Released</b>	<b>\$ 1,337,354</b>	<b>\$ 1,544,491</b>

**C. Permanently Restricted Net Assets**

Permanently restricted net assets for the years ended June 30, 2015 and June 30, 2014 consist of donor restricted endowment assets as presented below and further explained in Note 6.

	2015	2014
Named Endowments	\$ 4,513,404	\$ 4,261,394
CCCS Endowment	1,907,189	1,982,747
<b>Total Permanently Restricted Net Assets</b>	<b>\$ 6,420,593</b>	<b>\$ 6,244,141</b>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

On November 7, 2013, the LLC entered into a three-year operating lease agreement for the space located at 1646 and 1648 Cabrillo Avenue in Torrance, California for the purposes of subleasing to students as well as for use of a student lounge area. The lease agreement specifies for a security deposit of \$16,700 and monthly payments of \$16,700 beginning January 1, 2014, the inception of the lease, and every month thereafter through December 2014, with provisions to increase future lease payments through December 31, 2016, the expiration date. Lease payments and common area maintenance charges amounted to \$208,080 for the year ended June 30, 2015 and \$102,870 for the year ended June 30, 2014. Minimum future lease payments will amount to \$218,996 for the year ending June 30, 2016 and \$111,116 for the year ending June 30, 2017.

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015 AND 2014**

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**NOTE 10 – 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, 2015 and June 30, 2014, the College contributed \$230,362 and \$257,150 respectively, to the Foundation for personnel-related costs and \$17,100 per year in contributed use of facilities.

In July 2013, the Foundation's Board of Directors elected to transfer the full principal balance of \$420,000 held for the Center for the Arts to the College relieving the Foundation of all future responsibilities over such funds.

**1646 Cabrillo, LLC.**

As described in Note 1, El Camino Community College District Foundation is the sole statutory member of 1646 Cabrillo, LLC. The entities are considered financially interrelated under generally accepted accounting principles because of this statutory relationship. In November 2013, the Foundation established an operating agreement with the LLC whereby the Foundation's Board of Directors appoints the Board of Directors of the LLC. Throughout the initial year of operation ending June 30, 2014, the Foundation made a total of \$171,800 in capital contributions to the LLC for start-up costs. For the year ended June 30, 2015, an additional \$50,000 was transferred to the LLC to cover operational expenses for a total capital contribution of \$221,800 at June 30, 2015.

**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.

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015 AND 2014**

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**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

In accordance with Statement of Financial Accounting Standards (FASB) No. 116, *Accounting for Contributions Received and Contributions Made*, the present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value of unconditional promises to give cash. Subsequent accruals of the interest element shall be accounted for as contribution income. Unconditional promises to give that are expected to be collected in less than one year may be measured at net realizable value as the amount would result in reasonable estimate of fair value.

As mentioned in Note 4 on the pledge receivable, the Foundation received an unconditional promise to give in April 2013; however, in late 2014, the terms of the pledge were clarified as due upon the death of the donor. Because the unconditional promise to give is not expected to be collected in one year or less, net realizable value would not be a reasonable estimate of fair value and the present value of estimated cash flows using an appropriate discount rate should be used to record the pledge receivable at fair value.

The amount initially recorded for the pledge has been adjusted to record the promise to give at present value. The prior period adjustment has reduced the pledge receivable from \$2,000,000 to \$1,670,916 as of July 1, 2013. As such beginning net assets as of July 1, 2013 have been reduced by \$329,084.

**NOTE 12 - SUBSEQUENT EVENTS**

The Foundation's management has evaluated subsequent events for the period from June 30, 2015 through September 15, 2015, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on these financial statements.

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**SUPPLEMENTARY  
INFORMATION SECTION**

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**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

	<u>Foundation</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 85,066	\$ 4,593	\$ -	\$ 89,659
Investments	7,835,649	-	-	7,835,649
Pledge receivable	1,721,739	-	-	1,721,739
Interest in 1646 Cabrillo, LLC	221,800	-	(221,800)	-
Contributions receivable from split interest agreements	463,000	-	-	463,000
Beneficial interest in CCCS endowment	1,907,189	-	-	1,907,189
Security deposit	-	16,700	-	16,700
<b>Total Assets</b>	<u>\$ 12,234,443</u>	<u>\$ 21,293</u>	<u>\$ (221,800)</u>	<u>\$ 12,033,936</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable	\$ 11,222	\$ -	\$ -	\$ 11,222
Tenant security deposits	-	14,822	-	14,822
<b>Total liabilities</b>	<u>11,222</u>	<u>14,822</u>	<u>-</u>	<u>26,044</u>
Net assets				
Unrestricted	596,812	6,471	(221,800)	381,483
Temporarily restricted	5,205,816	-	-	5,205,816
Permanently restricted	6,420,593	-	-	6,420,593
<b>Total net assets</b>	<u>12,223,221</u>	<u>6,471</u>	<u>(221,800)</u>	<u>12,007,892</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 12,234,443</u>	<u>\$ 21,293</u>	<u>\$ (221,800)</u>	<u>\$ 12,033,936</u>

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Foundation</u>			<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Unrestricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 188,603	\$ 913,389	\$ 252,010	\$ -	\$ -	\$ 1,354,002
Donated materials and services	234,392	12,097	-	-	-	246,489
Investment income, net	5,451	249,567	(75,558)	-	-	179,460
Rental income	-	-	-	188,737	-	188,737
Capital contribution	-	-	-	50,000	(50,000)	-
Support and revenues	<u>428,446</u>	<u>1,175,053</u>	<u>176,452</u>	<u>238,737</u>	<u>(50,000)</u>	<u>1,968,688</u>
Donor restrictions satisfied	<u>1,337,354</u>	<u>(1,337,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenues</b>	<u>1,765,800</u>	<u>(162,301)</u>	<u>176,452</u>	<u>238,737</u>	<u>(50,000)</u>	<u>1,968,688</u>
<b>EXPENSES</b>						
Program services	1,264,798	-	-	236,591	-	1,501,389
General and administrative	202,132	-	-	34,352	-	236,484
Fundraising	278,231	-	-	-	-	278,231
<b>Total Expenses</b>	<u>1,745,161</u>	<u>-</u>	<u>-</u>	<u>270,943</u>	<u>-</u>	<u>2,016,104</u>
<b>CHANGE IN NET ASSETS</b>	20,639	(162,301)	176,452	(32,206)	(50,000)	(47,416)
<b>Net Assets - Beginning, as restated</b>	<u>576,173</u>	<u>5,368,117</u>	<u>6,244,141</u>	<u>38,677</u>	<u>(171,800)</u>	<u>12,055,308</u>
<b>Net Assets - Ending</b>	<u>\$ 596,812</u>	<u>\$ 5,205,816</u>	<u>\$ 6,420,593</u>	<u>\$ 6,471</u>	<u>\$ (221,800)</u>	<u>\$ 12,007,892</u>