



EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
El Camino Community College District Foundation:

We have audited the accompanying consolidated financial statements of the El Camino Community College District Foundation (a nonprofit Foundation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the fiscal year then ended, and the related notes to the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

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Auditors' Responsibility (continued)

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 consolidated 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 consolidated 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, 2017, and the changes in its net assets and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Statement of Financial Position and Consolidated Statement of Activities on page 23 and 24, respectively, are presented for purposes of additional analysis and is not a required part of the 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

The consolidated financial statements for the fiscal year ended June 30, 2016 were audited by a predecessor auditor who expressed an unmodified opinion on those statements dated October 12, 2016 and dual dated March 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
January 19, 2018

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	June 30,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 137,497	\$ 173,426
Investments	<u>8,531,780</u>	<u>8,072,669</u>
Total Current Assets	8,669,277	8,246,095
NON CURRENT ASSETS		
Pledge receivable	1,707,226	1,774,107
Contributions receivable from split interest agreements	422,138	410,274
Beneficial interest in CCCS endowment	1,887,696	1,761,717
Security deposit	<u>--</u>	<u>16,700</u>
Total Non Current Assets	<u>4,017,060</u>	<u>3,962,798</u>
TOTAL ASSETS	<u>\$ 12,686,337</u>	<u>\$ 12,208,893</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 19,799	\$ 12,509
NON CURRENT LIABILITIES		
Tenant security deposits	--	18,287
Tenant prepaid rent	<u>--</u>	<u>4,347</u>
Total Non Current Liabilities	<u>--</u>	<u>22,634</u>
TOTAL LIABILITIES	19,799	35,143
NET ASSETS		
Unrestricted	411,783	379,255
Temporarily restricted	5,896,762	5,414,801
Permanently restricted	<u>6,357,993</u>	<u>6,379,694</u>
TOTAL NET ASSETS	<u>12,666,538</u>	<u>12,173,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,686,337</u>	<u>\$ 12,208,893</u>

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

	June 30,				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
REVENUE AND SUPPORT					
Contributions	\$ 216,283	\$ 826,203	\$ 128,814	\$ 1,104,419	\$ 1,291,990
Present value discount	--	--	(66,881)		
Donated materials and services	321,398	53,454	--	374,852	321,242
Investment income, net	--	626,653	125,979	752,632	113,406
Rental income	109,730	--	--	109,730	266,729
Other income	897	--	--	897	--
Net assets released from restrictions	1,024,349	(1,024,349)	--	--	--
Transfer of net assets	209,613	--	(209,613)	--	--
TOTAL REVENUE AND SUPPORT	1,882,270	481,961	(21,701)	2,342,530	1,993,367
EXPENSES					
Program services	1,395,995	--	--	1,395,995	1,317,987
General and administration	276,390	--	--	276,390	253,881
Fundraising	177,357	--	--	177,357	255,641
TOTAL EXPENSES	1,849,742	--	--	1,849,742	1,827,509
CHANGE IN NET ASSETS	32,528	481,961	(21,701)	492,788	165,858
NET ASSETS AT BEGINNING OF YEAR	379,255	5,414,801	6,379,694	12,173,750	12,007,892
NET ASSETS AT END OF YEAR	\$ 411,783	\$ 5,896,762	\$ 6,357,993	\$ 12,666,538	\$ 12,173,750

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 492,788	\$ 165,858
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments, net	(490,210)	(311,604)
Change in operating assets and liabilities:		
Pledge receivable	66,881	(52,368)
Change in value of split interest agreements	(11,864)	52,726
Security deposit	16,700	--
Accounts payable and accrued expenses	7,290	1,287
Tenant security deposits	(18,287)	3,465
Tenant prepaid rent	(4,347)	4,347
Net Cash Provided By (Used In) Operating Activities	58,951	(136,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment appreciation on CCCS endowment	125,979	145,472
Contributions to named endowments	(181,933)	(159,019)
Appropriated use of investment funds	237,280	233,603
Proceeds from sales of investments	4,089,534	--
Purchases of investments	(4,365,740)	--
Net Cash (Used In) Provided By Investing Activities	(94,880)	220,056
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(35,929)	83,767
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	173,426	89,659
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	\$ 137,497	\$ 173,426

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

	Program Services	General and Administration	Fundraising	June 30,	
				2017	2016
MONETARY EXPENSES					
Salaries, benefits and payroll taxes	\$ 150,880	\$ 95,276	\$ 88,301	\$ 334,457	\$ 333,920
Grants, awards, and scholarships	701,225	--	--	701,225	662,249
Professional services	161,360	14,092	--	175,452	67,410
Hospitality	117,124	--	14,462	131,586	70,951
Facilities	53,616	5,957	1,359	60,932	260,732
Maintenance	--	11,817	--	11,817	12,833
Supplies and equipment	69,433	996	448	70,877	61,644
Printing and postage	3,900	886	13,637	18,423	18,559
Publications and advertising	--	--	4,903	4,903	7,101
Travel, conferences, and meetings	13,447	--	5,899	19,346	15,312
Other administrative	--	37,308	2,314	39,622	39,996
TOTAL MONETARY EXPENSES	1,270,985	166,332	131,323	1,568,640	1,550,707
IN-KIND EXPENSES					
Salaries, benefits and payroll taxes	125,010	92,058	46,034	263,102	259,702
Facilities	--	18,000	--	18,000	17,100
TOTAL IN-KIND EXPENSES	125,010	110,058	46,034	281,102	276,802
TOTAL EXPENSES	\$ 1,395,995	\$ 276,390	\$ 177,357	\$ 1,849,742	\$ 1,827,509

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

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 1 – Foundation

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. See Note 9 for additional information regarding the LLC.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statement Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – includes unrestricted funds for general operations, support used in operations after meeting initial grantor or donor restrictions.

Temporarily restricted net assets – includes funds that are subject to donor imposed restrictions which will be met either by the Foundation’s actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met or have expired.

Permanently restricted net assets – includes funds that are subject to donor imposed restrictions that do not expire. Amounts are held in perpetuity while the income is available for general or program designated use.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Liquidity

Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

Reclassifications

Certain amounts in the prior fiscal year have been reclassified in order to be consistent with the current year presentation.

Principles of Consolidation

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

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Significant estimates include valuation of pledges receivable and the useful lives of property and equipment. Actual results could differ from such estimates.

Revenue Recognition

The Foundation recognizes contributions received and unconditional promises to give as revenues in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation. Contributions received are reported as unrestricted support, temporarily restricted support or permanently restricted support. Temporarily restricted net assets become unrestricted when donor imposed time restrictions expire or when the contributions are used for their restricted purpose, at which time they are reported in the Consolidated Statement of Activities as satisfied of restrictions. Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. At various times during the fiscal year, the Foundation maintained cash balances in excess of federally insured limits. The Foundation has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash or cash equivalents maintained in financial institutions.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Pledge Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. For the fiscal years ended June 30, 2017 and 2016, the Foundation did not receive any conditional promises to give.

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 the review of these factors, the Foundation established or adjusted the allowances for specific revenue sources as a whole. At June 30, 2017 an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

Investments

Generally accepted accounting principles require nonprofit Foundations to report certain investments at fair value. In accordance with that guidance, the Foundation accounts for its equity securities that have readily determinable market values by recording and reporting those securities at fair value. Information about the investments and the realized and unrealized gains and losses are discussed in Note 3.

Fair Value Measurements

The Foundation applies fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of financial assets and liabilities recorded at fair value is measured on a recurring or nonrecurring basis. Financial assets and liabilities measured on a nonrecurring basis are those that are adjusted to fair value when a significant event occurs. Financial assets carried at fair value on a recurring basis consist of common stock whose fair value has been measured using an outside appraisal. Information about financial assets measured at fair value are discussed in Note 7.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Donated Services, Goods and Facilities

The College provides office space, personnel services, postage and other office supplies to the Foundation. In addition, the Foundation benefits from contributions of time and service of individuals in an effort to advance the programs and services of the Foundation. The Foundation received services and facilities provided by the College during the fiscal years ended June 30, 2017 and 2016 of \$281,102 and \$276,102, respectively.

The Foundation also received contributions of goods which are recognized at the estimated fair market value as of the date of donation. Contributed goods received during the fiscal years ended June 30, 2017 and 2016 totaled \$90,629 and \$45,140, respectively.

Functional Allocation of 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.

Income Tax Status

The Foundation has received tax-exempt status from the Internal Revenue Service and Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Foundation is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Foundation uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Foundation returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a Not-For-Profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Foundation is still evaluating the impact the amendments in this ASU will have on its financial statements.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Subsequent Events

The Foundation’s management has evaluated subsequent events through January 19, 2018, which was the date the consolidated financial statements were available to be issued for the fiscal year ended June 30, 2017. Subsequent to year end, the LLC was dissolved in November, 2017, which had been approved by the Board of Directors upon the lease termination in October 2016. See Note 9 for additional information.

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, 2017 and 2016, the Foundation’s investments consisted of the following:

	2017	2016
Cash/money market funds	\$ --	\$ 11,624
Equity securities	3,573,281	3,560,718
Exchange traded funds	1,319,286	532,575
Bonds	3,639,213	3,967,752
Total	\$ 8,531,780	\$ 8,072,669

Cash and money market funds in the investment portfolio totaled \$11,624 as of June 30, 2016, which has been reclassified to cash and cash equivalent as of June 30, 2017.

The following schedule summarizes the investment return for the fiscal year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ --	\$ 156,167	\$ 125,979	\$ 282,146
Realized gains	--	308,889	--	308,889
Unrealized gains	--	181,321	--	181,321
Other investment loss	--	(19,724)	--	(19,724)
Total	\$ --	\$ 626,653	\$ 125,979	\$ 752,632

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 3 – Investments (continued)

The following schedule summarizes the investment return for the fiscal year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ --	\$ 132,071	\$ --	\$ 132,071
Realized gains	--	209,175	--	209,175
Unrealized gains	<u>7,311</u>	<u>(89,679)</u>	<u>(145,472)</u>	<u>(227,840)</u>
Total	<u>\$ 7,311</u>	<u>\$ 251,567</u>	<u>(\$ 145,472)</u>	<u>\$ 113,406</u>

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 death of the donor.

During the fiscal year ended June 30, 2014, the Foundation received a check in the amount of \$20,858 towards the pledge. As of June 30, 2017, the fair value of the pledge totaled \$1,979,142. The pledge has been adjusted to present value based on an estimate of 5 years from time of payment and interest rate of 3 percent. As such, the pledge receivable as of June 30, 2017 is valued at \$1,707,226. The discounted amount attributed to the pledge has been recorded as a permanently restricted contribution in the fiscal year ended June 30, 2017. Each year the pledge receivable will be reevaluated and adjusted until paid to increase the pledge receivable as well as record contribution income.

The change in value for the fiscal years ended June 30, 2017 and 2016 was as follows:

Unconditional pledge expected to be collected in:

	<u>2017</u>	<u>2016</u>
Greater than one year	\$ 1,979,142	\$ 1,979,142
Less discounts to net present value	<u>(271,916)</u>	<u>(205,035)</u>
Total	<u>\$ 1,707,226</u>	<u>\$ 1,774,107</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 consolidated statement of activities as investment income.

As of June 30, 2017, the Foundation was the beneficiary of eighteen (18) split interest agreements. The fair value of the funds was \$722,167 and the present value of lifetime annuity payments to the donors was \$300,029. Thus, contributions receivable from split interest agreements as of June 30, 2017 was \$422,138.

The change in recorded values for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Balance – beginning of year	\$ 410,274	\$ 463,000
Contributions	31,588	29,643
Investment income, net	(19,724)	(82,369)
Balance – end of year	<u>\$ 422,138</u>	<u>\$ 410,274</u>

NOTE 6 – Endowments

The Foundation’s endowed funds, by net asset classification, as of June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Named Endowments	\$ 83,405	\$ 1,318,839	\$ 4,470,297	\$ 5,872,541
CCCS Endowment	--	76,019	1,887,696	1,963,715
Total	<u>\$ 83,405</u>	<u>\$ 1,394,858</u>	<u>\$ 6,357,993</u>	<u>\$ 7,836,256</u>

The Foundation’s endowed funds, by net asset classification, as of June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Named Endowments	\$ 83,405	\$ 1,083,141	\$ 4,617,977	\$ 5,784,523
CCCS Endowment	--	83,960	1,761,717	1,845,677
Total	<u>\$ 83,405</u>	<u>\$ 1,167,101</u>	<u>\$ 6,379,694</u>	<u>\$ 7,630,200</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

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 \$25,000. 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, 2017, the Foundation held 44 separate named endowments totaling \$5,872,541. Included in that amount is \$1,669,609 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 \$1,707,226 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% 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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

NOTE 6 – Endowments (continued)

Named Endowments (continued)

The changes in the Foundation’s named endowments by net asset classification during the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – July 1, 2016	\$ 83,405	\$ 1,083,141	\$ 4,617,977	\$ 5,784,523
Contributions	--	120,000	61,933	181,933
Investment income	--	73,921	--	73,921
Appreciation (depreciation) of investments, net	--	279,057	--	279,057
Appropriated for expenditure	--	(237,280)	(209,613)	(446,893)
Balance – June 30, 2017	<u>\$ 83,405</u>	<u>\$ 1,318,839</u>	<u>\$ 4,470,297</u>	<u>\$ 5,872,541</u>

The changes in the Foundation’s named endowments by net asset classification during the year ended June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – July 1, 2015	\$ 83,405	\$ 1,096,716	\$ 4,513,404	\$ 5,693,525
Contributions	--	54,446	104,573	159,019
Investment income	--	64,527	--	64,527
Appreciation (depreciation) of investments, net	--	108,690	--	108,690
Appropriated for expenditure	--	(241,238)	--	(241,238)
Balance – June 30, 2016	<u>\$ 83,405</u>	<u>\$ 1,083,141</u>	<u>\$ 4,617,977</u>	<u>\$ 5,784,523</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – Endowments *(continued)*

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, 2017 and 2016, the Foundation’s beneficial interest in the CCCS Endowment totaled \$1,887,696 and \$1,761,717, 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 \$1,963,715 and \$1,845,677 as of June 30, 2017 and 2016, 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 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.

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NOTE 6 – Endowments (continued)

California Community Colleges Scholarship (CCCS) Endowment (continued)

The changes in the Foundation’s beneficial interest in the CCCS Endowment balance by net asset classification during the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – July 1, 2016	\$ --	\$ 83,960	\$ 1,761,717	\$ 1,845,677
Contributions	--	152,900	--	152,900
Investment income	--	--	39,845	39,845
Appreciation (depreciation) of investments, net	--	--	181,467	181,467
Appropriated for expenditure	--	(160,841)	(95,333)	(256,174)
Balance – June 30, 2017	<u>\$ --</u>	<u>\$ 76,019</u>	<u>\$ 1,887,696</u>	<u>\$ 1,963,715</u>

The changes in the Foundation’s beneficial interest in the CCCS Endowment balance by net asset classification during the year ended June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – July 1, 2015	\$ --	\$ 29,979	\$ 1,907,189	\$ 1,937,168
Contributions	--	159,000	--	159,000
Investment income	--	--	34,152	34,152
Appreciation (depreciation) of investments, net	--	--	(80,958)	(80,958)
Appropriated for expenditure	--	(105,019)	(98,666)	(203,685)
Balance – June 30, 2016	<u>\$ --</u>	<u>\$ 83,960</u>	<u>\$ 1,761,717</u>	<u>\$ 1,845,677</u>

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NOTE 7 – Fair Value Measurement

The Foundation applies FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Topic 820 establishes a fair value hierarchy that prioritizes the 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 and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets measured at fair value on the recurring basis as of June 30, 2017 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Equity securities	\$ 3,573,281	\$ 3,573,281	\$ 3,573,281	\$ --	\$ --
Exchange traded funds	1,319,286	1,319,286	1,319,286	--	--
Bond	<u>3,639,213</u>	<u>3,639,213</u>	<u>--</u>	<u>3,639,213</u>	<u>--</u>
Total investments	8,531,780	8,531,780	4,892,567	3,639,213	--
Pledge receivable	1,707,226	1,707,226	--	--	1,707,226
Contributions receivable from split interest agreements	422,138	422,138	--	--	422,138
Beneficial interest in CCCS endowment	<u>1,887,696</u>	<u>1,887,696</u>	<u>--</u>	<u>--</u>	<u>1,887,696</u>
Total	<u>\$ 12,548,840</u>	<u>\$ 12,548,840</u>	<u>\$ 4,892,567</u>	<u>\$ 3,639,213</u>	<u>\$ 4,017,060</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
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NOTE 7 – Fair Value Measurement (continued)

Assets measured at fair value on the recurring basis as of June 30, 2016 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Cash/money market funds	\$ 11,624	\$ --	\$ --	\$ --	\$ --
Equity securities	3,560,718	3,560,718	3,560,718	--	--
Exchange traded funds	532,575	532,575	532,575	--	--
Bond	<u>3,967,752</u>	<u>3,967,752</u>	<u>--</u>	<u>3,967,752</u>	<u>--</u>
Total investments	8,072,669	8,061,045	4,093,293	3,967,752	--
Pledge receivable	1,774,107	1,774,107	--	--	1,774,107
Contributions receivable from split interest agreements	410,274	410,274	--	--	410,274
Beneficial interest in CCCS endowment	<u>1,761,717</u>	<u>1,761,717</u>	<u>--</u>	<u>--</u>	<u>1,761,717</u>
Total	<u>\$ 12,018,767</u>	<u>\$ 12,007,143</u>	<u>\$ 4,093,293</u>	<u>\$ 3,967,752</u>	<u>\$ 3,946,098</u>

Cash and money market funds in the investment portfolio totaled \$11,624 as of June 30, 2016, which has been reclassified to cash and cash equivalent as of June 30, 2017.

Pledge Receivable

The Foundation holds a pledge receivable expected to be paid in full upon the death of the donor as discussed in Note 4. The measurement is considered to be a level 3 input within the fair value hierarchy 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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – 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 5). During the year ended June 30, 2017, it was determined that measurement of the contributions receivable from split interest agreements is a fair value measurement on recurring basis. The measurement is considered to be a level 3 input within the fair value hierarchy even though the 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 (GAAP) indicates 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

Unrestricted Net Assets

Unrestricted net assets for the fiscal years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Board designated		
Challenge Grant program	\$ 49,691	\$ 22,038
Unrestricted Reserve	170,119	149,003
1646 Cabrillo, LLC	<u> --</u>	<u>(1,929)</u>
Total Board designated	219,810	169,112
Undesignated	<u>191,973</u>	<u>210,143</u>
 Total Unrestricted Net Assets	 <u>\$ 411,783</u>	 <u>\$ 379,255</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – Net Assets (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Challenge Grant program	\$ 1,743,194	\$ 1,688,280
Receivable from split interest agreements	422,138	410,274
Other scholarships and programs	2,295,971	2,149,146
Distributable portion of endowments	<u>1,435,459</u>	<u>1,167,101</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,896,762</u>	<u>\$ 5,414,801</u>

Net assets released from donor restrictions during the years ended June 30, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Grants, program, and operating support	\$ 817,128	\$ 830,060
Stewardship fees	<u>207,221</u>	<u>256,715</u>
Total Net Assets Released	<u>\$ 1,024,349</u>	<u>\$ 1,086,775</u>

Permanently Restricted Net Assets

Permanently restricted net assets for the years ended June 30, 2017 and 2016 consist of donor restricted endowment assets as presented below and further explained in Note 6.

	<u>2017</u>	<u>2016</u>
Named Endowments	\$ 4,470,297	\$ 4,617,977
CCCS Endowment	<u>1,887,696</u>	<u>1,761,717</u>
Total Permanently Restricted Net Assets	<u>\$ 6,357,993</u>	<u>\$ 6,379,694</u>

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016**

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 the 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 fiscal years ended June 30, 2017 and 2016, the college contributed \$281,102 and \$276,102, respectively, to the Foundation for personnel-related costs. For the fiscal years ended June 30, 2017 and 2016, the college contributed \$18,000 and \$17,100, respectively, 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 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 managed 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.

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. During the fiscal year ended June 30, 2017, the Foundation's Board of Directors elected to terminate the lease agreement for the operation of the LLC and the LLC had ceased all operation since. All remaining assets of the LLC were transferred to the Foundation during the fiscal year ended June 30, 2017. The LLC was formally dissolved in November 2017, subsequent to the fiscal year ended June 30, 2017.

SUPPLEMENTARY INFORMATION

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

	<u>Foundation</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 137,497	\$ --	\$ --	\$ 137,497
Investments	8,531,780	--	--	8,531,780
Total Current Assets	<u>8,669,277</u>	<u>--</u>	<u>--</u>	<u>8,669,277</u>
NON CURRENT ASSETS				
Pledge receivable	1,707,226	--	--	1,707,226
Contributions receivable from split interest agreements	422,138	--	--	422,138
Beneficial interest in CCCS endowment	1,887,696	--	--	1,887,696
Security deposit	--	--	--	--
	<u>4,017,060</u>	<u>--</u>	<u>--</u>	<u>4,017,060</u>
TOTAL ASSETS	<u>\$ 12,686,337</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,686,337</u>
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 19,799	\$ --	\$ --	\$ 19,799
NON CURRENT LIABILITIES				
Tenant security deposits	--	--	--	--
Tenant prepaid rent	--	--	--	--
Total Non Current Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL LIABILITIES	19,799	--	--	19,799
NET ASSETS				
Unrestricted	411,783	--	--	411,783
Temporarily restricted	5,896,762	--	--	5,896,762
Permanently restricted	6,357,993	--	--	6,357,993
Total Net Assets	<u>12,666,538</u>	<u>--</u>	<u>--</u>	<u>12,666,538</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,686,337</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,686,337</u>

See Note 9 regarding related party transactions during the fiscal year ended June 30, 2017.

See accompanying Independent Auditor's Report

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Foundation			LLC	Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Unrestricted	Total
REVENUE AND SUPPORT						
Contributions	\$ 216,283	\$ 826,203	\$ 128,814	\$ --	\$ --	\$ 1,104,419
Present value discount	--	--	(66,881)			
Donated materials and services	321,398	53,454	--	--	--	374,852
Investment income, net	--	626,653	125,979	--	--	752,632
Rental income	--	--	--	109,730	--	109,730
Other income	897	--	--	--	--	897
Capital contribution	--	--	--	16,682	(16,682)	--
Net assets released from restrictions	1,024,349	(1,024,349)	--	--	--	--
Transfer of net assets	209,613	--	(209,613)	--	--	--
TOTAL REVENUE AND SUPPORT	<u>1,772,540</u>	<u>481,961</u>	<u>(21,701)</u>	<u>126,412</u>	<u>(16,682)</u>	<u>2,342,530</u>
EXPENSES						
Program services	1,342,379	--	--	68,630	(15,014)	1,395,995
General and administration	270,432	--	--	7,626	(1,668)	276,390
Fundraising	177,357	--	--	--	--	177,357
TOTAL EXPENSES	<u>1,790,168</u>	<u>--</u>	<u>--</u>	<u>76,256</u>	<u>(16,682)</u>	<u>1,849,742</u>
CHANGE IN NET ASSETS	(17,628)	481,961	(21,701)	50,156	--	492,788
NET ASSETS AT BEGINNING OF YEAR	612,984	5,414,801	6,379,694	(1,929)	(231,800)	12,173,750
TRANSFER OF LLC REMAINING NET ASSETS TO FOUNDATION	<u>--</u>	<u>--</u>	<u>--</u>	<u>(48,227)</u>	<u>48,227</u>	<u>--</u>
NET ASSETS AT END OF YEAR	<u>\$ 595,356</u>	<u>\$ 5,896,762</u>	<u>\$ 6,357,993</u>	<u>\$ --</u>	<u>(\$ 183,573)</u>	<u>\$ 12,666,538</u>

See accompanying Independent Auditor's Report