



AUDIT REPORT

FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015

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, 2016 AND 2015**

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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, 2016 and 2015, 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

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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, 2016 and 2015, 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

October 12, 2016, except for Notes 2 and 8B, as to which the date is March 17, 2017.

FINANCIAL SECTION

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 173,426	\$ 89,659
Investments	8,072,669	7,835,649
Pledge receivable	1,774,107	1,721,739
Contributions receivable from split interest agreements	410,274	463,000
Beneficial interest in CCCS endowment	1,761,717	1,907,189
Security deposit	16,700	16,700
Total Assets	<u>\$ 12,208,893</u>	<u>\$ 12,033,936</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 12,509	\$ 11,222
Tenant security deposits	18,287	14,822
Tenant prepaid rent	4,347	-
Total liabilities	<u>35,143</u>	<u>26,044</u>
Net assets		
Unrestricted	379,255	381,483
Temporarily restricted	5,414,801	5,205,816
Permanently restricted	6,379,694	6,420,593
Total net assets	<u>12,173,750</u>	<u>12,007,892</u>
Total Liabilities and Net Assets	<u>\$ 12,208,893</u>	<u>\$ 12,033,936</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, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES								
Contributions	\$ 188,364	\$ 999,053	\$ 104,573	\$ 1,291,990	\$ 188,603	\$ 913,389	\$ 252,010	\$ 1,354,002
Donated materials and services	276,102	45,140	-	321,242	234,392	12,097	-	246,489
Investment income, net	7,311	251,567	(145,472)	113,406	5,451	249,567	(75,558)	179,460
Rental income	266,729	-	-	266,729	188,737	-	-	188,737
Support and revenues	738,506	1,295,760	(40,899)	1,993,367	617,183	1,175,053	176,452	1,968,688
Donor restrictions satisfied	1,086,775	(1,086,775)	-	-	1,337,354	(1,337,354)	-	-
Total Support and Revenues	1,825,281	208,985	(40,899)	1,993,367	1,954,537	(162,301)	176,452	1,968,688
EXPENSES								
Program services	1,317,987	-	-	1,317,987	1,501,389	-	-	1,501,389
General and administrative	253,881	-	-	253,881	236,484	-	-	236,484
Fundraising	255,641	-	-	255,641	278,231	-	-	278,231
Total Expenses	1,827,509	-	-	1,827,509	2,016,104	-	-	2,016,104
CHANGE IN NET ASSETS	(2,228)	208,985	(40,899)	165,858	(61,567)	(162,301)	176,452	(47,416)
Net Assets - Beginning	381,483	5,205,816	6,420,593	12,007,892	443,050	5,368,117	6,244,141	12,055,308
Net Assets - Ending	\$ 379,255	\$ 5,414,801	\$ 6,379,694	\$ 12,173,750	\$ 381,483	\$ 5,205,816	\$ 6,420,593	\$ 12,007,892

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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016				2015
	Program Services	General and Administrative	Fundraising	Total	Total
EXPENSES					
Salaries and wages	\$ 253,646	\$ 147,452	\$ 192,524	\$ 593,622	\$ 563,216
Grants, awards, and scholarships	662,031	-	218	662,249	849,277
Professional services	29,711	37,699	-	67,410	85,854
Hospitality	39,577	-	31,374	70,951	97,209
Facilities	245,082	31,369	1,381	277,832	262,301
Construction and maintenance	12,833	-	-	12,833	14,286
Special Events	-	-	-	-	1,255
Supplies and equipment	59,028	1,718	898	61,644	31,852
Printing and postage	2,971	1,032	14,556	18,559	18,035
Publications and advertising	605	-	6,496	7,101	1,817
Travel, conferences, and meetings	11,323	-	3,989	15,312	23,969
Other administrative	1,180	34,611	4,205	39,996	67,033
Total Expenses - 2016	\$ 1,317,987	\$ 253,881	\$ 255,641	\$ 1,827,509	
Total Expenses - 2015	\$ 1,501,389	\$ 236,484	\$ 278,231		\$ 2,016,104

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 165,858	\$ (47,416)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gain on investments, net	(311,604)	(290,820)
Change in value of split interest agreements	52,726	35,802
Increase in operating assets		
Pledge receivable	(52,368)	(50,823)
Increase in operating liabilities		
Accounts payable	1,287	1,295
Tenant security deposits	3,465	-
Tenant prepaid rent	4,347	-
Net cash used in operating activities	<u>(136,289)</u>	<u>(351,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment appreciation on CCCS endowment	145,472	76,144
Osher contributions to CCCS endowment	-	(586)
Contributions to named endowments	(159,019)	(500,789)
Appropriated use of investment funds	233,603	675,567
Net cash provided by investing activities	<u>220,056</u>	<u>250,336</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	83,767	(101,626)
Cash and cash equivalents - Beginning	<u>89,659</u>	<u>191,285</u>
Cash and cash equivalents - Ending	<u>\$ 173,426</u>	<u>\$ 89,659</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, 2016 AND 2015

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, 2016 AND 2015

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, 2015 is not a complete presentation under generally accepted accounting principles. The results from 2015 should be read in conjunction with the audited financial statements for the year ended June 30, 2015 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 CONSOLIDATED FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016 AND 2015

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, 2015 and at June 30, 2016, 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 CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

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

As of June 30, 2016 and June 30, 2015, the Foundation’s cash and cash equivalents consisted of the following:

	2016	2015
Cash in banks, interest bearing	\$ 23,426	\$ 89,659
Cash awaiting deposit	150,000	-
Total cash and cash equivalents	\$ 173,426	\$ 89,659

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. The FDIC insures up to \$250,000 of accounts per depositor per insured bank. As of June 30, 2016, the Foundation’s bank deposits were exposed to custodial credit risk in the amount of \$34,743 as there were deposits over \$250,000 held at one of the Foundation’s insured banks. Management believes that the Foundation is not exposed to any significant credit risk on cash accounts due to the transfer of funds to a new bank. The cash awaiting deposit amount was \$150,000 as of June 30, 2016.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

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, 2016 and June 30, 2015, the Foundation’s investments consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash, money market held in brokerage accounts	\$ 11,624	\$ 14,226
Investments in equity securities	3,560,718	2,331,555
Investment in bonds	3,967,752	2,865,242
Investment in other assets	532,575	2,624,626
Total Investments	<u>\$ 8,072,669</u>	<u>\$ 7,835,649</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 132,071	\$ 233,165
Realized gain/(loss)	209,175	87,398
Unrealized gain/(loss)	(227,840)	(141,103)
Total Investment Income, Net	<u>\$ 113,406</u>	<u>\$ 179,460</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 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. As such, the pledge receivable as of June 30, 2015 is valued at \$1,721,739. The discounted amount attributed to the pledge has been recorded as a permanently restricted contribution in the year ended June 30, 2016 for \$52,368. As of June 30, 2016, the pledge receivable is valued at \$1,774,107. 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:

Present value of pledge at June 30, 2015	\$ 1,721,739
Contribution income	52,368
Present value of pledge at June 30, 2016	<u>\$ 1,774,107</u>
Plus expected future contributions due to discount on pledge:	
During the fiscal year ending June 30,	
2017	53,961
2018	55,602
2019	57,294
2020	59,036
Total expected future contributions	<u>225,893</u>
Future value of pledge due upon receipt	<u>\$ 2,000,000</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

NOTE 5 – CONTRIBUTIONS RECEIVABLE FROM SPLIT INTEREST AGREEMENTS

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

As of June 30, 2016, the Foundation was the beneficiary of seventeen (17) split interest agreements. The fair value of the funds was \$718,228 and the present value of lifetime annuity payments to the donors was \$307,955. Thus, contributions receivable from split interest agreements as of June 30, 2016 was \$410,274. 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 donors was \$307,666. Thus, contributions receivable from split interest agreements as of June 30, 2015 was \$463,000.

The change in recorded value for the years ended June 30, 2016 and June 30, 2015 is as follows:

	2016	2015
Balance - beginning of year	\$ 463,000	\$ 498,802
Contributions	29,643	29,743
Investment income, net	(82,369)	(65,545)
Balance - end of year	<u>\$ 410,274</u>	<u>\$ 463,000</u>

NOTE 6 – ENDOWMENTS

The Foundation's endowed funds, by net asset classification, as of June 30, 2016 and June 30, 2015 were as follows:

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Named Endowments	\$ 83,405	\$ 1,083,141	\$ 4,617,977	\$ 5,784,523	\$ 5,693,525
CCCS Endowment	-	83,960	1,761,717	1,845,677	1,937,168
Balance - June 30, 2016	<u>\$ 83,405</u>	<u>\$ 1,167,101</u>	<u>\$ 6,379,694</u>	<u>\$ 7,630,200</u>	
Balance - June 30, 2015	<u>\$ 83,405</u>	<u>\$ 1,126,695</u>	<u>\$ 6,420,593</u>		<u>\$ 7,630,693</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

NOTE 6 – ENDOWMENTS (continued)

Named Endowments

The Foundation will establish a named endowment fund at the request of a donor for a minimum initial permanently restricted gift of \$10,000. Following the creation of the fund, scholarships, grants, and/or awards will be disbursed from the earnings on the endowed funds and in keeping with the donor’s designations. As of June 30, 2016, the Foundation held 43 separate named endowments totaling \$5,784,523. Included in that amount is \$1,610,193 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 \$1,774,107 that was pledged on April 30, 2013 for the purpose of establishing the Noble Endowment, to support an endowed chair in the business department of the College.

The Foundation’s Board of Directors is charged with the responsibility for management of the endowed assets. To assist in carrying out this duty, the Foundation has adopted an investment policy that prioritizes preservation of capital, long-term growth, and adherence to the prudent person investment philosophy. To enact this policy, the Foundation’s investment strategy emphasizes total return, assuming a level of risk consistent with reasonable and prudent investment practices for such funds.

The Foundation has adopted an endowment spending policy in compliance with the regulation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, to ensure the prudent management of endowed funds in the disbursement of current earnings in support of the College, and to meet future needs established by the donor. The Foundation has established a target annual spending policy of 5.5 percent of the most recent 36-month average market value of the endowed fund.

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	\$ 83,405	\$ 1,083,141	\$ 4,617,977	\$ 5,784,523

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

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, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2014	\$ 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)
Balance - June 30, 2015	\$ 83,405	\$ 1,096,716	\$ 4,513,404	\$ 5,693,525

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, 2016 and June 30, 2015, the Foundation’s beneficial interest in the CCCS Endowment totaled \$1,761,717 and \$1,907,189, 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 \$1,845,677 and \$1,937,168 as of June 30, 2016 and June 30, 2015, 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 CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2016 AND 2015

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, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	\$ -	\$ 83,960	\$ 1,761,717	\$ 1,845,677

The change in the Foundation’s beneficial interest in 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)
Balance - June 30, 2015	\$ -	\$ 29,979	\$ 1,907,189	\$ 1,937,168

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

NOTE 7 – FAIR VALUE MEASUREMENT

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

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Cash/money market funds	\$ 11,624	\$ -	\$ -	\$ -	\$ -
Equity securities	3,560,718	3,560,718	3,560,718	-	-
Bond funds	3,967,752	3,967,752	3,967,752	-	-
Other assets	532,575	532,575	532,575	-	-
Total investments	8,072,669	8,061,045	8,061,045	-	-
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	1,761,717	1,761,717	-	-	1,761,717
	\$ 12,018,767	\$ 12,007,143	\$ 8,061,045	\$ -	\$ 3,946,098

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
	\$ 11,927,577	\$ 11,913,351	\$ 7,821,423	\$ -	\$ 4,091,928

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2016 AND 2015

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, 2016, 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, 2016 and June 30, 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Board designated		
Challenge Grant program	\$ 22,038	\$ 50,289
Charles fund	149,003	107,250
1646 Cabrillo, LLC	(1,929)	6,471
Total Board designated	<u>169,112</u>	<u>164,010</u>
Undesignated	<u>210,143</u>	<u>217,473</u>
Total Unrestricted Net Assets	<u>\$ 379,255</u>	<u>\$ 381,483</u>

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2016 AND 2015

NOTE 8 – NET ASSETS (continued)

B. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2016 and June 30, 2015 are as follows:

	2016	2015
Challenge Grant program	\$ 1,688,280	\$ 1,648,534
Receivable from split interest agreements	410,274	463,000
Other scholarships and programs	2,149,146	1,967,587
Distributable portion of endowments	1,167,101	1,126,695
Total Temporarily Restricted Net Assets	\$ 5,414,801	\$ 5,205,816

Donor restrictions satisfied during the years ended June 30, 2016 and June 30, 2015 include the following:

	2016	2015
Grants, program, and operating support	\$ 830,060	\$ 1,019,755
Stewardship fees	256,715	317,599
Total Donor Restrictions Released	\$ 1,086,775	\$ 1,337,354

C. Permanently Restricted Net Assets

Permanently restricted net assets for the years ended June 30, 2016 and June 30, 2015 consist of donor restricted endowment assets as presented below and further explained in Note 6.

	2016	2015
Named Endowments	\$ 4,617,977	\$ 4,513,404
CCCS Endowment	1,761,717	1,907,189
Total Permanently Restricted Net Assets	\$ 6,379,694	\$ 6,420,593

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 \$249,282 for the year ended June 30, 2016 and \$208,080 for the year ended June 30, 2015. The Foundation received early termination of the lease agreement with an expiration date effective September 30, 2016. Minimum future lease payments amount to \$55,557 for the year ending June 30, 2017. Refer to Note 11 for additional information regarding the LLC and lease agreement.

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015**

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, 2016 and June 30, 2015, the College contributed \$276,102 and \$234,392 respectively, to the Foundation for personnel-related costs and \$17,100 per year in contributed use of facilities.

El Camino College Compton Education Center

In August 2006, Compton Community College lost their accreditation and began operating under El Camino College's accreditation as a center of the El Camino Community College District. The purpose of the relationship is to allow for educational and related support services to remain available to residents of Compton while the campus is in the multi-year process of seeking accreditation as a two-year public college. The agreement between the entities provides for the eventual separation of the campus. As the CCCS Endowment (see Note 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.

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. For the year ended June 30, 2016, a capital contribution of \$10,000 was transferred to the LLC to cover operational expenses. As of June 30, 2016, the Foundation held an interest in the LLC of \$231,800, which has been recorded as an asset in the consolidating statement of financial position but eliminated as part of the consolidated statement of financial position.

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2016 AND 2015

NOTE 11 - SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for the period from June 30, 2016 through October 12, 2016, the date the financial statements were available to be issued. In September 2016, the Board elected to terminate the lease agreement for the operation of the LLC. Though no official dissolution of the LLC has been approved, LLC operations have ceased due to the lease termination effective September 30, 2016. Management did not identify any other transactions or events that require disclosure or that would have an impact on these financial statements.

**SUPPLEMENTARY
INFORMATION SECTION**

THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	<u>Foundation</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 169,421	\$ 4,005	\$ -	\$ 173,426
Investments	8,072,669	-	-	8,072,669
Pledge receivable	1,774,107	-	-	1,774,107
Interest in 1646 Cabrillo, LLC	231,800	-	(231,800)	-
Contributions receivable from split interest agreements	410,274	-	-	410,274
Beneficial interest in CCCS endowment	1,761,717	-	-	1,761,717
Security deposit	-	16,700	-	16,700
Total Assets	<u>\$ 12,419,988</u>	<u>\$ 20,705</u>	<u>\$ (231,800)</u>	<u>\$ 12,208,893</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 12,509	\$ -	\$ -	\$ 12,509
Tenant security deposits	-	18,287	-	18,287
Tenant prepaid rent	-	4,347	-	4,347
Total liabilities	<u>12,509</u>	<u>22,634</u>	<u>-</u>	<u>35,143</u>
Net assets				
Unrestricted	612,984	(1,929)	(231,800)	379,255
Temporarily restricted	5,414,801	-	-	5,414,801
Permanently restricted	6,379,694	-	-	6,379,694
Total net assets	<u>12,407,479</u>	<u>(1,929)</u>	<u>(231,800)</u>	<u>12,173,750</u>
Total Liabilities and Net Assets	<u>\$ 12,419,988</u>	<u>\$ 20,705</u>	<u>\$ (231,800)</u>	<u>\$ 12,208,893</u>

**THE EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Foundation			LLC	Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Unrestricted	Total
SUPPORT AND REVENUES						
Contributions	\$ 188,364	\$ 999,053	\$ 104,573	\$ -	\$ -	\$ 1,291,990
Donated materials and services	276,102	45,140	-	-	-	321,242
Investment income, net	7,311	251,567	(145,472)	-	-	113,406
Rental income	-	-	-	266,729	-	266,729
Capital contribution	-	-	-	10,000	(10,000)	-
Support and revenues	471,777	1,295,760	(40,899)	276,729	(10,000)	1,993,367
Donor restrictions satisfied	1,086,775	(1,086,775)	-	-	-	-
Total Support and Revenues	1,558,552	208,985	(40,899)	276,729	(10,000)	1,993,367
EXPENSES						
Program services	1,058,695	-	-	259,292	-	1,317,987
General and administrative	228,044	-	-	25,837	-	253,881
Fundraising	255,641	-	-	-	-	255,641
Total Expenses	1,542,380	-	-	285,129	-	1,827,509
CHANGE IN NET ASSETS	16,172	208,985	(40,899)	(8,400)	(10,000)	165,858
Net Assets - Beginning	596,812	5,205,816	6,420,593	6,471	(221,800)	12,007,892
Net Assets - Ending	\$ 612,984	\$ 5,414,801	\$ 6,379,694	\$ (1,929)	\$ (231,800)	\$ 12,173,750