

Audited Financial Statements
El Camino Community College District Foundation
Years ended June 30, 2010 and 2009
with Report of Independent Auditors

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	<u>PAGE</u>
REPORT OF INDEPENDENT AUDITORS	1
AUDITED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses – June 30, 2010	4
Statement of Functional Expenses – June 30, 2009	5
Statements of Cash Flows	6
Notes to Financial Statements	7



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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Report of Independent Auditors

Board of Directors El Camino Community College District Foundation

We have audited the accompanying statements of financial position of the El Camino Community College District Foundation as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the El Camino Community College District Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vasquez & Company LLP

Los Angeles, California
September 14, 2010

El Camino Community College District Foundation
Statements of Financial Position

ASSETS	June 30,	
	2010	2009
Current assets		
Cash and cash equivalents	\$ 383,905	\$ 363,236
Investments	5,710,533	5,105,080
Promises to give	1,678	1,000
Contributions receivable from split-interest agreements	187,202	176,807
Prepaid expenses	16,479	-
Total current assets	6,299,797	5,646,123
Non-current assets		
Investments in California Community Colleges Scholarship	494,130	-
Endowment	4,500	4,500
Other assets	-	-
Total non-current assets	498,630	4,500
Total assets	\$ 6,798,427	\$ 5,650,623
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 38,509	\$ 42,147
Total current liabilities	38,509	42,147
Net assets		
Unrestricted	628,487	553,418
Temporarily restricted	3,807,043	3,515,671
Permanently restricted	2,324,388	1,539,387
Total net assets	6,759,918	5,608,476
Total liabilities and net assets	\$ 6,798,427	\$ 5,650,623

See notes to financial statements.

El Camino Community College District Foundation
Statements of Activities

	Years ended June 30,	
	2010	2009
Unrestricted revenue		
Operating revenues, gains and other support:		
Contributions	\$ 102,189	\$ 193,837
Donated materials and services	257,813	138,579
Investment income	16,215	13,963
Realized and unrealized gain/(loss) on investments, net	19,729	(85,808)
Net assets released from restrictions	792,347	876,470
Donor redirected to be permanently restricted	(25,000)	-
Total revenues, gains and other support	1,163,293	1,137,041
Expenses		
Program activities	721,550	908,151
General and administrative	208,387	214,571
Fundraising	158,287	90,536
Total expenses	1,088,224	1,213,258
Change in unrestricted net assets	75,069	(76,217)
Unrestricted net assets - beginning of year	553,418	629,635
Unrestricted net assets - end of year	628,487	553,418
Temporarily restricted net assets		
Contributions	490,730	574,958
Donated materials and services	8,425	62,564
Investment income	156,886	167,429
Realized and unrealized gain/(loss) on investments, net	454,372	(785,189)
Change in value of split-interest agreements	43,355	(81,443)
Other support	75,000	35,000
Net assets released from restrictions	(789,463)	(876,470)
Donor redirected to be permanently restricted	(147,933)	(1,458)
Change in temporarily restricted net assets	291,372	(904,609)
Temporarily restricted net assets - beginning of year	3,515,671	4,420,280
Temporarily restricted net assets - end of year	3,807,043	3,515,671
Permanently restricted net assets		
Contributions	614,952	897
Net assets reclassified to permanently restricted	170,049	1,458
Change in permanently restricted net assets	785,001	2,355
Permanently restricted net assets - beginning of year	1,539,387	1,537,032
Permanently restricted net assets - end of year	2,324,388	1,539,387
Change in net assets	1,151,442	(978,471)
Total net assets	\$ 6,759,918	\$ 5,608,476

See notes to financial statements.

El Camino Community College District Foundation
Statement of Functional Expenses
Year Ended June 30, 2010

<u>Description</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Allocations				
Books and supplies				
- instructional	\$ 30,985	\$ -	\$ -	\$ 30,985
Campus programs	18,354	-	-	18,354
Equipment	71,097	-	-	71,097
Scholarships and awards	233,009	-	-	233,009
Accounting fees	-	47,085	-	47,085
Bank charges	12	724	-	736
Building rental	-	17,100	-	17,100
Computer software	2,746	-	-	2,746
Conferences, conventions, and meetings	9,732	1,266	5,442	16,440
Contract services	36,717	-	600	37,317
Contributed services	119,212	61,797	66,205	247,214
Contributions	300	-	-	300
Credit card fees	-	-	1,775	1,775
Dues and memberships	7,314	-	3,479	10,793
Gift in kind distributions	8,425	-	-	8,425
Filing fees	-	380	-	380
Hospitality	40,167	-	9,042	49,209
Investment fees	-	23,030	-	23,030
Maintenance contracts	-	2,647	156	2,803
Parking	-	-	2,446	2,446
Plaques and awards	-	-	895	895
Postage	760	6	1,906	2,672
Printing	-	339	6,975	7,314
Publications and periodicals	648	-	-	648
Reproduction	10,447	-	-	10,447
Salaries, wages and benefits	109,157	52,157	53,203	214,517
Supplies	9,476	1,856	2,702	14,034
Telephone	1,013	-	1,381	2,394
Travel	11,979	-	2,080	14,059
Total	\$ 721,550	\$ 208,387	\$ 158,287	\$ 1,088,224

See notes to financial statements.

El Camino Community College District Foundation
Statement of Functional Expenses
Year ended June 30, 2009

Description	Program Activities	General and Administrative	Fundraising	Total
Grants and Allocations				
Books and supplies				
- instructional	\$ 68,216	\$ -	\$ -	\$ 68,216
Campus programs	60,064	-	-	60,064
Equipment	131,707	-	-	131,707
Scholarships and awards	189,205	-	-	189,205
Accounting fees	-	48,014	-	48,014
Bank charges	-	944	-	944
Building rental	-	17,100	-	17,100
Computer software	29,380	-	-	29,380
Conferences, conventions, and meetings	15,626	168	3,054	18,848
Contract services	153,888	2,436	5,763	162,087
Credit card fees	-	606	728	1,334
Dues and memberships	4,679	-	1,540	6,219
Filing fees	-	670	-	670
Hospitality	47,485	338	4,627	52,450
Insurance	-	2,226	-	2,226
Investment fees	-	15,849	-	15,849
Maintenance contracts	-	2,695	-	2,695
Parking	-	-	1,969	1,969
Plaques and awards	-	-	183	183
Postage	1,623	26	2,508	4,157
Printing	-	254	8,360	8,614
Publications and periodicals	14,162	-	-	14,162
Reproduction	6,434	-	-	6,434
Salaries, wages and benefits	171,839	121,518	58,989	352,346
Supplies	9,984	1,727	860	12,571
Telephone	1,255	-	1,497	2,752
Travel	2,604	-	458	3,062
	<u>\$ 908,151</u>	<u>\$ 214,571</u>	<u>\$ 90,536</u>	<u>\$ 1,213,258</u>

See notes to financial statements.

El Camino Community College District Foundation
Statements of Cash Flows

	<u>Years ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 1,151,442	\$ (978,471)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Realized and unrealized gain/(loss) on investments, net	(474,101)	870,997
Change in value of split-interest agreements	(43,355)	81,443
Change in operating assets and liabilities:		
Promises to give	(678)	4,000
Contributions receivable from split-interest agreements	32,961	(75,140)
Prepaid expenses	(16,479)	5,580
Accounts payable	(3,638)	(41,748)
Net cash provided by (used in) operating activities	<u>646,152</u>	<u>(133,339)</u>
Cash flows from investing activities		
Purchase of investments	(6,837,503)	(944,500)
Proceeds from sale of investments	6,212,020	185,000
Net cash used in investing activities	<u>(625,483)</u>	<u>(759,500)</u>
Net change in cash and cash equivalents	20,669	(892,839)
Cash and cash equivalents at beginning of year	<u>363,236</u>	<u>1,256,075</u>
Cash and cash equivalents at end of year \$	<u><u>383,905</u></u>	<u><u>\$ 363,236</u></u>

See notes to financial statements.

NOTE 1 ORGANIZATION

The El Camino Community College District Foundation (Foundation) is a nonprofit, tax-exempt corporation, incorporated in the state of California on April 28, 1983 and organized to develop financial support for the El Camino Community College District (District) by receiving gifts, funds, and property. Such financial support is used to provide financial assistance to students and pay for curriculum development, physical facilities, equipment, cultural programs, athletic programs, and other expenses related to the District's educational programs, at the discretion of the Foundation.

The District maintains one campus, located in Torrance, California. The Foundation maintains a separate governing body from the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Financial Statements of Not-for-Profit Organizations*, 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*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Directors or management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the expiration of stipulated time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Under FASB ASC Topic 958, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the absence or existence and nature of any donor restrictions.

Contributions on which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions are classified as permanently restricted assets. Contributed assets for which donors have not stipulated restrictions are reported as unrestricted support.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values or estimated fair values. All gains and losses on investments are reported as increases or decreases to unrestricted net assets unless required by donors to be reinvested in restricted net assets.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a nonprofit, public benefit corporation exempt from the payment of income taxes under Internal Revenue Service Code Section 501 (c)(3) and California Revenue and Taxation Code Section 23701 (d). Accordingly, no provision has been made for income taxes.

Donated Materials and Services

A portion of the Foundation's functions is conducted with the assistance of donated materials and services from various individuals and organizations. Donated materials and services are recorded as revenue and expense, calculated at fair value at the date of donation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

On July 1, 2008, the Foundation adopted ASC 820, *Fair Value Measurements* which became effective for the Foundation. ASC 820 relates to financial assets and financial liabilities. In February 2008, the FASB delayed the effective date of ASC 820 for all non financial assets and non financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. ASC 820 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The Foundation's adoption of ASC 820 had no material effect on the financial statements.

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. At June 30, 2010 and 2009, the Foundation's investments at fair value included the following:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Multi-strategy equity fund	\$ 2,629,823	\$ 2,299,610
Multi-strategy bond fund	3,080,710	2,557,169
Other investments	-	248,281
	<u>\$ 5,710,533</u>	<u>\$ 5,105,080</u>

As mentioned in Note 2, The Foundation adopted ASC 820. ASC 820 established the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The Foundation classifies its other investments as level 1 and its investments in multi-strategy equity fund and multi-strategy equity bond fund as level 2.

NOTE 3 INVESTMENTS (CONTINUED)

The Foundation changed its investment managers from Commonfund to Payden & Rygel Investment Management on December 31, 2009, and the entire portfolio was transferred in early January 2010 in two transactions totaling \$5,763,726.

**NOTE 4 INVESTMENTS IN CALIFORNIA COMMUNITY COLLEGES
SCHOLARSHIP ENDOWMENT**

Investment in California Community Colleges Scholarship Endowment

Investment in California Community Colleges Scholarship Endowment is a pooled investment fund held by the Foundation for California Community Colleges (FCCC) and is permanently restricted for community colleges scholarships. Management and investment oversight is the responsibility of the Foundation for California Community Colleges (FCCC) as directed by the donor, Bernard Osher from the Osher Foundation.

The initial gift from the Osher Foundation of \$25 million and any match from the Osher Foundation are considered gifts to the FCCC and remain assets of the FCCC per grant agreement. Subsequent fundraising by El Camino Community College Foundation (ECCCF) that results in monies transferred to FCCC may remain permanently restricted assets of ECCCF and will be reflected as such on all financial reporting. However, all donations to the endowment must be left in the fund permanently and cannot be returned or used for other purposes.

The Osher Foundation will provide a 50 percent match for each dollar raised through 2011. The match will be reconciled annually through 2011 based on the amount raised that fiscal year by the FCCC and individual colleges. Contributions received from ECCCF and invested in the Endowment on or before June 30 of a given year, and the match dollars subsequently applied to those contributions, begin earning interest and result in scholarship distribution one year later. Earnings on both the dollar raised by ECCCF and the match provided by the Osher Foundation will be distributed as scholarship funds to ECCCF, net of investment expenses. The earnings from the dollars raised by ECCCF and the corresponding match amount will be set aside for scholarships for El Camino Community College students.

The Foundation classifies its investments in California Community Colleges Scholarship Endowment as level 2.

NOTE 5 CONTRIBUTIONS RECEIVABLE FOR SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of eleven split-interest charitable gift annuity agreements for which the Foundation is not the administrator. The Foundation recognizes the present value of the estimated future benefits to be received as temporarily restricted contribution revenue and as a receivable. Adjustments to the receivable to reflect amortization of the discount and revaluation of the present value of the estimated future payments to the lifetime beneficiary are recognized in the statement of activities as a change in the value of split-interest agreements.

El Camino Community College District Foundation
Notes to Financial Statements
Years ended June 30, 2010 and 2009

**NOTE 5 CONTRIBUTIONS RECEIVABLE FOR SPLIT-INTEREST AGREEMENTS
(CONTINUED)**

The total amount of the eleven split-interest charitable gift annuity agreements at the date of the gift was \$561,926. Contributions receivable from split-interest agreements were \$187,202 and \$176,807 at June 30, 2010 and 2009. These receivables represent the portion of the charitable gift annuity agreements for which the Foundation is the designated beneficiary. While the Foundation was a recipient of a new gift for a total amount of \$50,000 during the fiscal year, the Foundation recognized only its present value attributed to the beneficiary of \$28,631.

NOTE 6 RESTRICTIONS ON NET ASSETS

Unrestricted net assets were designated by the Board of Directors as follows:

Unrestricted net assets	June 30, 2010	June 30, 2009
Board designated for Endowment		
Challenge Grant Program	\$ 14,495	\$ -
Charles Grant Program	328,038	-
Undesignated	285,954	444,422
	<u>\$ 628,487</u>	<u>\$ 444,422</u>

Temporarily restricted net assets as of June 30, are available for the following purposes:

	2010	2009
Cancer study and training of persons		
in the care of cancer patients	\$ 44,584	\$ -
Endowment Challenge Grant Program*	1,104,609	994,381
Scholarships	1,290,699	1,339,867
Center for the Arts	389,362	289,646
Split-interest agreements	187,202	176,807
Other programs	790,587	823,966
	<u>\$ 3,807,043</u>	<u>\$ 3,624,667</u>

* Such net assets have been restricted for specific educational purposes under the U.S. Department of Education's Endowment Challenge Grant Program (Program) authorized by Title III of the Higher Education Act of 1965, as amended. Under the terms of the Program, the Foundation may only withdraw and spend up to 50% of the total aggregate endowment income during the 20-year grant period ending in 2017.

El Camino Community College District Foundation
Notes to Financial Statements
Years ended June 30, 2010 and 2009

NOTE 6 RESTRICTIONS ON NET ASSETS (CONTINUED)

Permanently restricted net assets as of June 30, consists of investments to be held in perpetuity as follows:

	<u>2010</u>	<u>2009</u>
The Ella Rose Madden Endowment Fund, the income from which is to be used for the study of cancer and the training of persons in the care and special needs of cancer patients	\$ 1,130,295	\$ 1,130,295
Other permanently restricted donations, the income from which is expendable to support Foundation programs and scholarships	1,194,093	409,092
	<u>\$ 2,324,388</u>	<u>\$ 1,539,387</u>

In accordance with ASC Topic 958 Not-For-Profit, Accounting for Certain Investments Held by Not-for-Profit Organizations, the Foundation's permanently restricted net assets are not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the Foundation to hold in perpetuity.

Because of the significant changes from the Uniform Management of Institutional Funds Act (UMIFA) to the new Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Foundation's Board of Directors decided that the original gift amount to be the amount designated as permanently restricted for accounting purposes.

NOTE 7 RELATED-PARTY TRANSACTIONS

El Camino College District

In exchange for support that the Foundation provides to the campus programs and under an agreement with the Foundation, the District contributes to the Foundation some portion of salaries and related expenses incurred and paid by the District on behalf of the Foundation. For the years ended June 30, 2010 and 2009, the District contributed \$257,814 and \$138,479, respectively, to the Foundation with respect to such agreement. This includes rental costs of District-owned facilities occupied by Foundation personnel. For the years ended June 30, 2010 and 2009, the District contributed \$17,100 and \$17,100 respectively, for the building to the Foundation with respect to such arrangement.

El Camino Community College District Foundation
Notes to Financial Statements
Years ended June 30, 2010 and 2009

NOTE 7 RELATED-PARTY TRANSACTIONS (CONTINUED)

El Camino College Center for the Arts

During the years ended June 30, 2010 and June 30, 2009, the El Camino College Center for the Arts (Center for the Arts) transferred \$75,000 and \$35,000 respectively, to the Foundation to be used to support the Center for the Arts. The proceeds are recorded in other support on the Foundation's statement of activities for the years ended June 30, 2010 and June 30, 2009.

NOTE 8 PRIOR PERIOD ADJUSTMENT

A correction was made to the net assets (fund) balances as of June 30, 2009, regarding amounts which were not released from temporarily restricted in prior years.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at July 1, 2009, as previously reported	\$ 444,422	\$ 3,624,667	\$ 1,539,367	\$ 5,608,456
Prior period adjustment	108,996	(108,996)	-	-
Net assets at July 1, 2009, as restated	<u>\$ 553,418</u>	<u>\$ 3,515,671</u>	<u>\$ 1,539,367</u>	<u>\$ 5,608,456</u>

NOTE 9 FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) LIMITATION

The Foundation maintains its cash accounts primarily with financial institutions located in California. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has cash balances on deposit with the financial institutions at June 30, 2010 that exceeded the balance insured by the FDIC by approximately \$140,194. The excess funds were received toward the end of June 2010 from the investment portfolio as a result of the annual transfer of stewardship fees. The amounts were held for less than a week, and transferred out during the first week of July 2010.

NOTE 10 SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, the Foundation has evaluated events subsequent to June 30, 2010 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 14, 2010, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

