

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR JUNE 30, 2020**



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**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of El Camino Community College District Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 from 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of Error

As discussed in Note 11 to the financial statements, the Charitable Remainder Trust activity improperly excluded the liability and related changes in the value of the split-interest agreement from the statement of financial position as of June 30, 2020 and the statement of activities for the fiscal year then ended. Accordingly, beginning net assets were restated to reflect the correction of this error. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the El Camino Community College District Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Glendora, California
October 28, 2021

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 130,245	\$ 133,037
Investments, at Fair Value	13,490,484	10,986,960
Promise to Give, Net	1,865,531	1,811,195
Charitable Gift Annuities	969	171,150
Investments Held in Charitable Remainder Trust	1,888,381	1,697,659
Beneficial Interest in CCCS Endowment	1,921,024	1,584,697
Beneficial Interest in Charitable Trust Held by Others	97,318	79,978
Total Assets	\$ 19,393,952	\$ 16,464,676
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 173	\$ 1,758
Accrued Employee-Related Expenses	28,813	15,863
Liabilities Under Charitable Remainder Trust	1,061,632	966,271
Total Liabilities	1,090,618	983,892
NET ASSETS		
Without Donor Restrictions	2,085,395	1,781,974
With Donor Restrictions	16,217,939	13,698,810
Total Net Assets	18,303,334	15,480,784
Total Liabilities and Net Assets	\$ 19,393,952	\$ 16,464,676

See accompanying Notes to Financial Statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, SUPPORT AND GAINS				
Contributions and Grants	\$ 343,137	\$ 1,698,716	\$ 2,041,853	\$ 1,479,910
Special Events	-	-	-	79,664
In-Kind Contributions	17,709	74,401	92,110	98,899
Donated Services and Facilities	211,789	-	211,789	216,989
Other Income	5,657	-	5,657	56,749
Total Support	<u>578,292</u>	<u>1,773,117</u>	<u>2,351,409</u>	<u>1,932,211</u>
Other Income, Gains, and Losses:				
Investment Income	13,836	160,263	174,099	239,463
Realized/Unrealized Gain on Investments	52,404	1,592,662	1,645,066	199,850
Change in Value of Split-interest Agreements	-	95,361	95,361	32,493
Change in Value of CCCS Endowment	-	336,327	336,327	(67,868)
Total Other Income, Gains, and Losses	<u>66,240</u>	<u>2,184,613</u>	<u>2,250,853</u>	<u>403,938</u>
Total Revenues Before Net Assets Released from Restrictions	644,532	3,957,730	4,602,262	2,336,149
Net Assets Released from Restrictions	<u>1,438,601</u>	<u>(1,438,601)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	2,083,133	2,519,129	4,602,262	2,336,149
OPERATING EXPENSES				
Program Services	1,300,471	-	1,300,471	1,347,225
Supporting Services:				
Management and General	254,857	-	254,857	226,168
Fundraising	224,384	-	224,384	243,522
Total Operating Expenses	<u>1,779,712</u>	<u>-</u>	<u>1,779,712</u>	<u>1,816,915</u>
CHANGE IN NET ASSETS BEFORE UNUSUAL ITEM	303,421	2,519,129	2,822,550	519,234
Return of Contributions (Note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(277,021)</u>
CHANGE IN NET ASSETS	303,421	2,519,129	2,822,550	242,213
Net Assets - Beginning of Year As Restated (Note11)	<u>1,781,974</u>	<u>13,698,810</u>	<u>15,480,784</u>	<u>15,238,571</u>
NET ASSETS - END OF YEAR	<u>\$ 2,085,395</u>	<u>\$ 16,217,939</u>	<u>\$ 18,303,334</u>	<u>\$ 15,480,784</u>

See accompanying Notes to Financial Statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021			Total	2020 Total
	Program Services	Management and General	Fundraising		
Salaries and Benefits	\$ 122,258	\$ 93,179	\$ 145,773	\$ 361,210	\$ 345,381
Scholarships and Grants	893,190	-	-	893,190	735,211
Professional Services	16,062	16,372	-	32,434	65,229
Hospitality	110,706	-	3,240	113,946	233,833
Equipment	-	-	-	-	8,500
Maintenance	-	16,155	-	16,155	17,960
Supplies	1,711	679	344	2,734	20,835
Printing and Postage	1,003	994	9,860	11,857	13,745
Publications and Advertising	-	-	10,275	10,275	9,204
Travel, Conferences, and Meetings	13,481	1,632	-	15,113	43,379
In-Kind Contributions	74,110	18,000	-	92,110	98,899
Donated Services and Facilities	63,887	105,961	54,892	224,740	218,229
Other Expenses	4,063	1,885	-	5,948	6,510
	<u>\$ 1,300,471</u>	<u>\$ 254,857</u>	<u>\$ 224,384</u>	<u>\$ 1,779,712</u>	<u>\$ 1,816,915</u>
Total					

See accompanying Notes to Financial Statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,822,550	\$ 242,213
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Amortization of Discount on Promise to Give	(54,336)	(52,753)
Realized and Unrealized Gain on Investments	(1,645,066)	(302,496)
Contributions Restricted to Endowment	(232,058)	(216,602)
Change in Value of Split-Interest Agreements	74,820	128,531
Change in Beneficial Interest in CCCS Endowment	(336,327)	67,868
Change in Beneficial Interests in Assets Held by Others	(17,340)	6,609
Changes in Operating Assets and Liabilities:		
Accounts Payable and Accrued Expenses	(1,585)	(1,966)
Accrued Employee Related Expenses	12,950	1,240
Net Cash Provided by (Used in) Operating Activities	623,608	(127,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	2,181,847	1,254,972
Purchases of Investments	(3,040,305)	(1,405,470)
Net Cash Used in Investing Activities	(858,458)	(150,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted to Endowment	232,058	216,602
Net Cash Provided by Financing Activities	232,058	216,602
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,792)	(61,252)
Cash and Cash Equivalents - Beginning of Year	133,037	194,289
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 130,245	\$ 133,037

See accompanying Notes to Financial Statements.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The El Camino Community College District Foundation (the Foundation) is a California, nonprofit public benefit corporation founded 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 general public, raising funds, and making donations to educational, arts, cultural, athletic, and other programs of the College.

Basis of Presentation of Financial Statements

The 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).

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information does not include sufficient detail to constitute a full comparison of operations year over year and should be read in conjunction with the audited financial statements for the fiscal year ended June 30, 2020 from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Financial Instruments and Credit Risk

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors supportive of the mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the board of directors. Although fair values of investments are subject to fluctuations on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long term welfare of the Foundation.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. The amount of expenses netted with revenues was \$41,164 and \$63,426 for the years ended June 30, 2021 and 2020, respectively. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

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. The Foundation determines the allowance for doubtful contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Contributions are written off when deemed uncollectible. Conditional promises to give are not included as support until the conditions are substantially met. The Foundation currently does not have any conditional promises to give.

Assets Held Under Split-Interest Agreements

Charitable Gift Annuities – 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 the related receivable recognized 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.

Charitable Remainder Trust – The Foundation has been designated as the trustee of an irrevocable charitable remainder trust. The trust agreement requires the Foundation to make annual payments to the trust donor based on a stipulated payment rate of 5% applied to the fair value of the trust assets, as determined annually, not to exceed the annual earnings of the trust. Upon the death of the donor, the remaining trust assets will be distributed by the Foundation to itself and to the second named beneficiaries, as stipulated in the trust agreement.

The Foundation records the assets held in this trust at their fair value based on quoted market values. A corresponding liability, liabilities under charitable remainder trusts, has been recorded to reflect the present value of required lifetime payments and remaining obligation to the named beneficiaries using discount rates commensurate with the risks involved, which were in existence at the date of gift which was 2.5% for each of the years ended June 30, 2021 and 2020. Valuations are calculated annually by management by updating life expectancy of the income beneficiaries and investment values.

Liabilities under split-interest agreements represent the present value of the investments held in charitable remainder trusts owed to outside remainder beneficiaries at the settlement of the trust. These liabilities are calculated as a percentage of the present value of the investments held in charitable remainder trusts.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held Under Split-Interest Agreements (Continued)

Charitable remainder trust (continued) – The difference between the fair value of the assets received and liabilities under charitable remainder trusts and under split-interest agreements is recognized as contribution revenue in the year the agreement is signed. Realized and unrealized gains and losses, interest and dividend income from the investments and changes in actuarial assumptions and accretions of the liabilities are recorded as changes to split-interest agreement in the accompanying consolidated statements of financial position.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation has been named as an irrevocable beneficiary of multiple charitable trusts held by and administered by independent trustees. These trusts were created independently by the donor and administered by outside agents designated by the donor. Therefore, the Foundation does not have possession nor control over the assets of the trust. At the date the Foundation received notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Therefore, the beneficial interest in trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Classification of Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-designated expenditures.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions (Continued) – Contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. The Foundation records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place. There was no special events revenue recorded for the year ended June 30, 2021. The amount of revenue recorded for direct benefit to donors was \$40,736 for the year ended June 30, 2020.

Donated Assets, Services, and Facilities

The College provides personnel services and office space 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. Since the College meets the criteria for an affiliate organization, the Foundation is required to recognize the direct personnel costs incurred by the affiliate at the fair market value of services provided. Donated services received from an affiliate during the fiscal years ended June 30, 2021 and 2020 totaled \$193,789 and \$197,829, respectively. Donated office space during the fiscal years ended June 30, 2021 and 2020 totaled \$18,000 and \$20,400, respectively.

The Foundation also receives contributions of goods and services which are recognized at estimated fair market value as of the date of donation. Donated goods received during the fiscal years ended June 30, 2021 and 2020 totaled \$92,110 and \$98,899, respectively. All donated goods and services were used for programmatic activities.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and payroll taxes, professional services, supplies and equipment, printing and postage, travel, conferences, and meetings, other administrative expenses, and donated salaries, benefits, and payroll taxes, and donated facilities, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as a supporting organization as provided in Section 509(a)(3). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

United States Generally Accepted Accounting Principles (US GAAP) requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Total Financial Assets	\$ 19,393,952	\$ 16,464,676
Less:		
Donor-Restricted Assets:		
Funds Subject to Time Restrictions	(4,151,067)	(3,133,729)
Endowments	(12,065,903)	(9,128,602)
Assets Held Under Split Interest Agreements, Net	(924,067)	(891,344)
Board-Designated Assets:		
Challenge Grant Program	(749,834)	(658,489)
Reserve	<u>(1,014,817)</u>	<u>(808,652)</u>
Total Financial Assets Available for General Expenditures	<u>\$ 488,264</u>	<u>\$ 1,843,860</u>

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. All funds are unencumbered by restrictions and are available for general use.

NOTE 3 NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions were as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Board-Designated Assets:		
Challenge Grant Program	\$ 749,834	\$ 658,489
Reserve	<u>1,014,817</u>	<u>808,652</u>
Total Board Designated	1,764,651	1,467,141
Undesignated	<u>320,746</u>	<u>314,833</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,085,397</u>	<u>\$ 1,781,974</u>

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Purpose:		
Distributable Portion of Endowments	\$ 2,407,628	\$ 1,477,065
Other Scholarships and Programs	1,743,439	1,656,664
Subject to the Passage of Time:		
Assets Held Under Split Interest Agreements, Net	969	171,150
Subject to Spending Policy and Appropriation:		
Challenge Grant Program	-	1,249,461
Named Endowments	10,144,879	7,559,773
CCCS Endowment	1,921,024	1,584,697
Net Assets with Donor Restrictions	<u>\$ 16,217,939</u>	<u>\$ 13,698,810</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions		
Grants, Program and Operating Support	\$ 1,067,498	\$ 975,077
Stewardship Fees	371,103	235,657
Total Net Assets Released from Donor Restriction	<u>\$ 1,438,601</u>	<u>\$ 1,210,734</u>

NOTE 4 FAIR VALUE MEASUREMENT

The Foundation applies 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 for the asset.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

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.

The fair values of assets held under split interest agreements, net, which are managed and administered by an unrelated third party, are based on the fair value of underlying assets and the present value of annuity payments discounted, using factors published by the IRS. These are considered Level 3 investments.

The fair value of the beneficial interest in CCCS Endowment, which is held by an unrelated third party, is based on the fair value of fund investments, as reported by the third party. The fair value of the beneficial interest in charitable trust held by others is based on the fair value of fund investments held in an irrevocable charitable trust, as reported by the investment manager. These are considered Level 2 investments.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021:

	Total	Fair Value Measurements at Report Date Using		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Equities	\$ 5,241,625	\$ 2,175,648	\$ 3,065,977	\$ -
Exchange-Traded Funds	3,744,983	3,744,983	-	-
Bonds	4,182,796	821,300	3,361,496	-
Subtotal	13,169,404	\$ 6,741,931	\$ 6,427,473	\$ -
Cash Held in Investments	321,080			
Total Investments	\$ 13,490,484			
Assets Held Under Split Interest Agreements, Net	\$ 1,889,350	\$ 714,479	\$ 1,173,902	\$ 969
Beneficial Interests in:				
Beneficial Interest in CCCS Endowment	\$ 1,921,024	\$ -	\$ 1,921,024	\$ -
Beneficial Interest in Charitable Trust Held by Others	97,318	-	97,318	-
Total	\$ 2,018,342	\$ -	\$ 2,018,342	\$ -

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2020:

	Total	Fair Value Measurements at Report Date Using		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Equities	\$ 2,981,320	\$ 2,981,320	\$ -	\$ -
Exchange-Traded Funds	3,898,491	3,898,491	-	-
Bonds	3,400,118	-	3,400,118	-
Subtotal	10,279,929	\$ 6,879,811	\$ 3,400,118	\$ -
Cash Held in Investments	707,031			
Total Investments	\$ 10,986,960			
Assets Held Under Split Interest Agreements, Net	\$ 1,868,809	\$ 626,242	\$ 1,071,417	\$ 171,150
Beneficial Interests in:				
Beneficial Interest in CCCS Endowment	\$ 1,584,697	\$ -	\$ 1,584,697	\$ -
Beneficial Interest in Charitable Trust Held by Others	79,978	-	79,978	-
Total	\$ 1,664,675	\$ -	\$ 1,664,675	\$ -

The changes in Level 3 assets are summarized as follows for the fiscal year ended June 30:

	2021	2020
Assets Held Under Split Interest Agreements, Net:		
Beginning Balance	\$ 171,150	\$ 267,188
Contributions	-	-
Change in Value	(291)	(96,038)
Distributions	(169,890)	-
Total Investment	\$ 969	\$ 171,150

NOTE 5 ASSETS HELD UNDER SPLIT INTEREST AGREEMENT

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 the related receivable recognized 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, 2021, the Foundation was the beneficiary of one split-interest agreement. The fair value of the funds was \$2,516 and the present value of lifetime annuity payments to the donors was \$1,547. Contributions receivable from split interest agreements as of June 30, 2021 was \$969.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 PROMISES TO GIVE

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 7 on endowments). In late 2014, it became clear under the terms of the promise to give, the funds were to be transferred to the Foundation upon death of the donor. As such, the Foundation recorded an unconditional promise to give. During the fiscal year ended June 30, 2014, the Foundation received a check in the amount of \$20,858 towards the pledge. After recording the payment, the value of the undiscounted promise to give was \$1,979,142. The Foundation recorded the pledge and adjusted it to its net present value by recording a discount, based upon an estimated life expectancy of five years from time of the pledge, and at an interest rate of 3%.

Each year, the promise to give is reevaluated and adjusted to increase the pledge receivable to the fair value expected to be received, as well as record contribution income as the pledge discount is amortized. The Foundation recognized \$54,336 of contribution income for the year ended June 30, 2021.

The unconditional promise to give is estimated to be collected in one to five years. The promise to give appears in the statement of financial position as follows:

	2021	2020
Promise to Give	\$ 1,979,142	\$ 1,979,142
Less:		
Discount to Net Present Value at 3%	(113,611)	(167,947)
Total Promise to Give	\$ 1,865,531	\$ 1,811,195

NOTE 7 ENDOWMENTS

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. Additionally, the endowment spending policy is 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.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 ENDOWMENTS (CONTINUED)

The Foundation classifies net assets with donor restrictions in perpetuity as (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 net assets with donor restrictions subject to the passage of time or appropriation until such time as the board of directors adopts a resolution for appropriation.

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

		2021		
		Without Donor Restrictions	With Donor Restrictions	Total
Named Endowments		\$ -	\$ 10,144,879	\$ 10,144,879
CCCS Endowments		-	1,955,111	1,955,111
Total		\$ -	\$ 12,099,990	\$ 12,099,990
		2020		
		Without Donor Restrictions	With Donor Restrictions	Total
Named Endowments		\$ -	\$ 8,809,234	\$ 8,809,234
CCCS Endowments		-	1,671,547	1,671,547
Total		\$ -	\$ 10,480,781	\$ 10,480,781

Named Endowments

The Foundation will establish a named endowment fund at the request of a donor for a minimum initial gift of \$25,000 that will be held in perpetuity. 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, 2021, the Foundation held fifty-five (55) separate named endowments totaling \$11,206,211. Included in that amount is \$2,256,749 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 \$1,865,531 that was committed 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 committed amount of \$1,865,531 is net of the discount to present value of \$113,611 as of June 30, 2021, as discussed in Note 6.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 ENDOWMENTS (CONTINUED)

Changes in endowment net assets are as follows for the fiscal years ended June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 8,809,234	\$ 8,809,234
Contributions	-	286,394	286,394
Investment Return:			
Investment Income, Net of Expenses	-	1,152,919	1,152,919
Appropriated for Expenditure	-	(103,668)	(103,668)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 10,144,879</u>	<u>\$ 10,144,879</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 83,405	\$ 7,656,738	\$ 7,740,143
Contributions	-	1,048,111	1,048,111
Investment Return:			
Investment Income, Net of Expenses	-	304,640	304,640
Appropriated for Expenditure	(83,405)	(200,255)	(283,660)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 8,809,234</u>	<u>\$ 8,809,234</u>

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% 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, 2021 and 2020, the Foundation's beneficial interest in the CCCS Endowment totaled \$1,921,024 and \$1,584,697, respectively; inclusive of the CCCS Endowment funds to benefit students of El Camino College Compton Education Center for the year ended June 30, 2019 (see Note 10). When coupled with funds distributed but not yet disbursed, the Foundation's net assets attributable to the CCCS Endowment are \$1,955,111 and \$1,671,547 as of June 30, 2021 and 2020, respectively.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 ENDOWMENTS (CONTINUED)

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 net assets with donor restrictions in perpetuity (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 net assets with donor restrictions subject to the passage of time or appropriation upon receipt of notification from the FCCC as to the amount and date of scheduled distributions.

The changes in the Foundation's beneficial interest in the CCCS Endowment balance by net asset classification were as follows:

	<u>2021</u>	<u>2020</u>
CCCS Endowment - Beginning of Year	\$ 1,584,697	\$ 1,929,586
Contributions	-	-
Investment Income, Net of Expenses	419,127	13,732
Distributions	(82,800)	(81,600)
Transferred to Compton Center (Note 11)	-	(277,021)
Change in Value, CCCS Endowment	<u>336,327</u>	<u>(344,889)</u>
CCCS Endowment - End of Year	<u>\$ 1,921,024</u>	<u>\$ 1,584,697</u>

NOTE 8 CHARITABLE REMAINDER UNITRUST (CRUT)

During 2019, the Foundation was named as the Trustee of an irrevocable charitable remainder unitrust (CRUT). The trust agreement requires the Foundation to make annual payments to the trust donor based on a stipulated payment rate of 5%, applied to the fair value of the trust assets, as determined annually, not to exceed the annual earnings of the trust. Upon the death of the donor, the Foundation will distribute the remaining trust assets, 50% to itself and 50% to the second named beneficiary. A liability has been recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value with the Foundation as the named trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Social Security Administration life expectancy guidelines and actuarial tables. Accordingly, the Foundation has recorded a liability for the projected future benefits to be paid to the donor and the estimated present value of the distribution expected to be paid to the second named beneficiary. (See Note 11).

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 FUNCTIONAL EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and payroll taxes, professional services, supplies and equipment, printing and postage, travel, conferences, and meetings, other administrative expenses, and donated salaries, benefits, and payroll taxes, and donated facilities, which are allocated on the basis of estimates of time and effort.

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 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, 2021 and 2020, the College contributed \$193,789 and \$197,829, respectively, to the Foundation for personnel-related costs. For the fiscal years ended June 30, 2021 and 2020, the College contributed \$18,000 and \$20,400, respectively, in contributed use of facilities.

El Camino College Compton Education Center

In August 2006, the El Camino Community College District (ECCCD) board of trustees approved a Memorandum of Understanding to provide educational and related support services to the residents of Compton through the establishment of the El Camino College Compton Center (Compton Center), which had previously been known as Compton Community College. In June 2017, the Compton Center was awarded full accreditation by the Accrediting Commission of the Community and Junior Colleges and its name officially changed to Compton College.

During the fiscal year ended June 30, 2018, the official conclusion of the historic partnership between El Camino College and Compton College was initiated after the ECCCD board of trustees approved a resolution authorizing the termination of the partnership. This major milestone is part of the process for Compton College to become the 114th independent college of the California Community Colleges system on June 7, 2019 at 11:59 p.m. Compton College now operates under the authority of the Compton Community College District (CCCD) board of trustees.

**EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 RELATED PARTIES (CONTINUED)

El Camino College Compton Education Center (Continued)

Since the CCCS Endowment (see Note 7) was formed after the Compton Center was established, the Foundation for California Community Colleges (FCCC) named the Foundation as the recipient entity for CCCS Endowment distributions benefiting the Compton Center's students. The Foundation has managed the CCCS Endowment assets as a separate fund designated in perpetuity for scholarships to students of Compton Center, which is valued at roughly fourteen percent (14%) of the total CCCS Endowment at June 30, 2019. Now that Compton College has been recognized as an independent college, the Foundation's board initiated the reallocation of funds by the FCCC in the amount of \$277,021, which was recorded as an unusual item – return of contribution to related party.

NOTE 11 ADJUSTMENT FOR RESTATEMENT

As discussed in Note 8, the Foundation was named as the Trustee of an irrevocable Charitable Remainder Unitrust (CRUT). Initial recording of the CRUT activity improperly excluded the liability and related changes in the value of the split-interest agreement from the statement of financial position as of June 30, 2020 and the statement of activities for the fiscal year then ended. This resulted in the overstatement of beginning net assets and understatement of the Foundation's liability under the stipulations of the CRUT. For the year ended June 30, 2020, the following financial statement line items for the fiscal year were affected by the changes:

Statement of Financial Position - June 30, 2020

	As Originally Reported	As Restated	Effect of Change
Assets			
Investments	\$ 12,684,619	\$ 10,986,960	\$ (1,697,659)
Assets Held - Charitable Remainder Trust	-	1,697,659	1,697,659
All Other Assets	3,780,057	3,780,057	-
Total Assets	\$ 16,464,676	\$ 16,464,676	\$ -
Liabilities and Net Assets			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 17,621	\$ 17,621	\$ -
Liabilities Under Split-Interest Agreements	-	966,271	966,271
Total Liabilities	17,621	983,892	966,271
Net Assets:			
Without Donor Restrictions	1,781,974	1,781,974	-
With Donor Restrictions	14,665,081	13,698,810	(966,271)
Total Net Assets	16,447,055	15,480,784	(966,271)
Total Liabilities and Net Assets	\$ 16,464,676	\$ 16,464,676	\$ -

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 ADJUSTMENT FOR RESTATEMENT (CONTINUED)

Statement of Activities - June 30, 2020

	As Originally Reported	As Restated	Effect of Change
Support and Revenue			
Support:			
Contributions and Grants	\$ 1,479,910	\$ 1,479,910	\$ -
Other Revenue and Support	452,301	452,301	-
Total Support	<u>1,932,211</u>	<u>1,932,211</u>	-
Other Income, Gains and Losses:			
Investment income	304,449	239,463	(64,986)
Realized/Unrealized Gain on Investments	199,850	199,850	-
Change in Value of Split-Interest Agreement	-	32,493	32,493
Other Income, Gains and Losses	<u>(67,868)</u>	<u>(67,868)</u>	-
Total Other Income, Gains, and Losses	<u>436,431</u>	<u>403,938</u>	<u>(32,493)</u>
Total Support and Revenue	2,368,642	2,336,149	(32,493)
Total Expenses			
Program Services	1,347,225	1,347,225	-
Supporting Services	469,690	469,690	-
Total Expenses	<u>1,816,915</u>	<u>1,816,915</u>	-
Change in Net Assets	551,727	519,234	(32,493)
Unusual Item - Return of Contributions	(277,021)	(277,021)	-
Net Assets			
Beginning of Year, as Restated	16,172,349	15,238,571	(933,778)
End of Year	<u>\$ 16,724,076</u>	<u>\$ 15,480,784</u>	<u>\$ (966,271)</u>

NOTE 12 RISKS AND UNCERTAINTIES

The Foundation may become a party to litigation in the normal course of business. The Foundation accrues for open claims based on the Foundation's historical experience and available insurance coverage. In the opinion of management, there are no legal matters involving the Foundation that would have a material adverse impact upon the Foundation's financial position, activities or cash flow.

In early 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2021-22 operations and financial results, including restrictions on the Foundation activities by the governor, additional costs to the Foundation's operations, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 28, 2021 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

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