EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2018

WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

CONTENTS

YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the El Camino Community College District Foundation (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the fiscal 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 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.

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Auditors' Responsibility *(continued)*

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 El Camino Community College District Foundation as of June 30, 2018, and the changes in its net assets and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited El Camino Community College District Foundation's financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated January 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
January 24, 2019

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	June 30,	
	2018	**2017**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 122,568	$ 137,497
Investments	9,437,869	8,531,780
Total Current Assets	9,560,437	8,669,277
NON CURRENT ASSETS		
Pledge receivable, net	1,758,442	1,707,226
Contributions receivable from split interest agreements, net	268,189	422,138
Beneficial interest in CCCS endowment	1,918,123	1,887,696
Total Non Current Assets	3,944,754	4,017,060
TOTAL ASSETS	$ 13,505,191	$ 12,686,337
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ --	$ 10,997
Accrued employee related expenses	9,587	8,802
TOTAL LIABILITIES	9,587	19,799
NET ASSETS		
Unrestricted	1,453,862	411,783
Temporarily restricted	4,356,294	5,896,762
Permanently restricted	7,685,448	6,357,993
TOTAL NET ASSETS	13,495,604	12,666,538
TOTAL LIABILITIES AND NET ASSETS	$ 13,505,191	$ 12,686,337

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

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2018	June 30, 2017
REVENUE AND SUPPORT					
Contributions	$ 461,611	$ 825,145	$ 425,932	$ 1,712,688	$ 1,104,419
Donated materials and services	180,661	61,951	--	242,612	374,852
Investment income, net	--	378,796	30,427	409,223	752,632
Rental income	--	--	--	--	109,730
Other income	54,878	--	--	54,878	897
Net assets released from restrictions	1,722,401	(1,722,401)	--	--	--
Transfer of net assets, net	212,863	(1,083,959)	871,096	--	--
TOTAL REVENUE AND SUPPORT	2,632,414	(1,540,468)	1,327,455	2,419,401	2,342,530
EXPENSES					
Program services	1,122,869	--	--	1,122,869	1,395,995
General and administration	275,451	--	--	275,451	276,390
Fundraising	192,015	--	--	192,015	177,357
TOTAL EXPENSES	1,590,335	--	--	1,590,335	1,849,742
CHANGE IN NET ASSETS	1,042,079	(1,540,468)	1,327,455	829,066	492,788
NET ASSETS AT BEGINNING OF YEAR	411,783	5,896,762	6,357,993	12,666,538	12,173,750
NET ASSETS AT END OF YEAR	$ 1,453,862	$ 4,356,294	$ 7,685,448	$ 13,495,604	$ 12,666,538

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

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	June 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 829,066	$ 492,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount of pledge receivable	(51,216)	66,881
Realized and unrealized gain on investments, net	(472,683)	(490,210)
Contributions restricted for investment in perpetuity	(374,715)	
Change in value of split interest agreements	(68,531)	(11,864)
Change in value of beneficial interest in CCCS endowment	(117,694)	125,979
Change in operating assets and liabilities:		
Contributions receivable from split interest agreements	222,480	--
Beneficial interest in CCCS endowment	87,267	55,347
Security deposit	--	16,700
Accounts payable and accrued expenses	(10,997)	10,411
Accrued employee related expenses	785	(3,121)
Tenant security deposits	--	(18,287)
Tenant prepaid rent	--	(4,347)
Net Cash Provided By Operating Activities	43,762	240,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	4,944,757	4,089,534
Purchases of investments	(5,378,163)	(4,365,740)
Net Cash Used In Investing Activities	(433,406)	(276,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment in perpetuity	374,715	--
Net Cash Provided By Investing Activities	374,715	--
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,929)	(35,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,497	173,426
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 122,568	$ 137,497

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

EL CAMINO COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

	Program Services	General and Administration	Fundraising	June 30, 2018	June 30, 2017
MONETARY EXPENSES					
Salaries, benefits and payroll taxes	$ 146,497	$ 91,739	$ 108,503	$ 346,739	$ 334,457
Grants, awards, and scholarships	630,557	--	--	630,557	701,225
Professional services	127,438	19,864	--	147,302	175,452
Hospitality	87,650	--	16,828	104,478	131,586
Facilities	--	--	--	--	60,932
Maintenance	--	13,482	--	13,482	11,817
Supplies and equipment	67,911	789	260	69,960	70,877
Printing and postage	2,706	1,197	7,758	11,661	18,423
Publications and advertising	--	--	8,424	8,424	4,903
Travel, conferences, and meetings	26,496	823	--	27,319	19,346
Other administrative	--	47,649	2,317	49,966	39,622
TOTAL MONETARY EXPENSES	1,089,255	175,543	144,090	1,408,888	1,568,640
IN-KIND EXPENSES					
Salaries, benefits and payroll taxes	33,614	80,708	47,925	162,247	263,102
Facilities	--	19,200	--	19,200	18,000
TOTAL IN-KIND EXPENSES	33,614	99,908	47,925	181,447	281,102
TOTAL EXPENSES	$ 1,122,869	$ 275,451	$ 192,015	$ 1,590,335	$ 1,849,742

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

NOTE 1 – Foundation

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statement Presentation

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). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Classification of Net Assets

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

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

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

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

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

Liquidity

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

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

Reclassifications

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

Use of Estimates and Assumptions

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

Revenue Recognition

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

Cash and Cash Equivalents

All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. At various times during the fiscal years ended June 30, 2018 and 2017, the Foundation maintained cash balances in excess of federally insured limits. The Foundation has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash or cash equivalents maintained in financial institutions.

Pledge Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. For the fiscal years ended June 30, 2018 and 2017, the Foundation did not receive any conditional promises to give.

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

Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowances for doubtful accounts to accounts receivable and current economic conditions. Based on the review of these factors, the Foundation established or adjusted the allowances for specific revenue sources as a whole. At June 30, 2018 and 2017, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

Investments

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

Fair Value Measurements

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

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

Donated Services, Goods and Facilities

The College provides office space, personnel services, postage and other office supplies to the Foundation. In addition, the Foundation benefits from contributions of time and services of individuals in an effort to advance the programs and services of the Foundation. The Foundation received services and facilities provided by the College during the fiscal years ended June 30, 2018 and 2017 of $181,447 and $281,102, respectively.

The Foundation also received contributions of goods which are recognized at the estimated fair market value as of the date of donation. Contributed goods received during the fiscal years ended June 30, 2018 and 2017 totaled $61,951 and $90,629, respectively, and were used for programmatic activities.

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

Functional Allocation of Expenses

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

Income Tax Status

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

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

Recent Accounting Pronouncements

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

In June of 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The Foundation is still evaluating the impact, if any, that adoption of this guidance will have on its financial statements.

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

Subsequent Events

The Foundation's management has evaluated subsequent events through January 24, 2019, which was the date the financial statements were available to be issued for the fiscal year ended June 30, 2018 and determined there are no other items to disclose other than the information included in Note 9.

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, 2018 and 2017, the Foundation's investments consisted of the following:

	2018	2017
Equity securities	$ 3,225,428	$ 3,573,281
Exchange traded funds	2,022,027	1,319,286
Bonds	4,190,414	3,639,213
Total	$ 9,437,869	$ 8,531,780

The following schedule summarizes the investment return for the fiscal year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ --	$ 91,203	$ --	$ 91,203
Realized gains	--	358,420	--	358,420
Unrealized gains (losses)	--	(70,827)	30,427	(40,400)
Total	$ --	$ 378,796	$ 30,427	$ 409,223

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

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

NOTE 4 – Pledge Receivable

In April 2013, the Foundation received a promise to give of $2,000,000 toward a named endowment for the purpose of establishing the Noble Endowment (see Note 6 on endowments). In late 2014, it became clear that the terms of the promise to give were to be transferred to the Foundation upon death of the donor.

During the fiscal year ended June 30, 2014, the Foundation received a check in the amount of $20,858 towards the pledge. As of June 30, 2018, the fair value of the pledge totaled $1,758,442. The pledge has been adjusted to present value based on an estimate of 5 years from time of payment and interest rate of 3 percent. As such, the pledge receivable as of June 30, 2018 is valued at $1,979,142. The discounted amount attributed to the pledge has been recorded as a permanently restricted contribution in the fiscal year ended June 30, 2018. Each year the pledge receivable will be reevaluated and adjusted until paid to increase the pledge receivable as well as record contribution income.

The change in value for the fiscal years ended June 30, 2018 and 2017 was as follows:

Unconditional pledge expected to be collected in:

	2018	2017
Greater than one year	$ 1,979,142	$ 1,979,142
Less discounts to net present value	(220,700)	(271,916)
Total	$ 1,758,442	$ 1,707,226

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, 2018, the Foundation was the beneficiary of sixteen (16) split interest agreements. The fair value of the funds was $478,512 and the present value of lifetime annuity payments to the donors was $210,323. Thus, contributions receivable from split interest agreements as of June 30, 2018 was $268,189.

NOTE 5 – Contributions Receivable from Split Interest Agreements *(continued)*

The change in recorded values for the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Balance – beginning of year	$ 422,138	$ 410,274
Contributions	31,141	31,588
Proceeds from distribution of split interest agreement	(253,621)	--
Investment income, net	68,531	(19,724)
Balance – end of year	$ 268,189	$ 422,138

NOTE 6 – Endowments

The Foundation's endowed funds, by net asset classification, as of June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Named Endowments	$ 83,405	$ 1,810,006	$ 4,683,366	$ 6,576,777
CCCS Endowment	--	133,718	1,918,123	2,051,841
Total	$ 83,405	$ 1,943,724	$ 6,601,489	$ 8,628,618

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

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

NOTE 6 – Endowments *(continued)*

Named Endowments

The Foundation will establish a named endowment fund at the request of a donor for a minimum initial permanently restricted gift of $25,000. Following the creation of the fund, scholarships, grants, and/or awards will be disbursed from the earnings on the endowed funds and in keeping with the donor's designations. As of June 30, 2018, the Foundation held sixty-two (62) separate named endowments totaling $6,576,777. Included in that amount is $1,731,866 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 $1,758,442 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 pledge amount of $1,758,442 includes discounts to present value as required by GAAP as discussed in Note 4.

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 funs in the disbursement of current earnings in support of the College, and to meet future needs established by the donor. The Foundation has established a target annual spending policy of 5.5% of the most recent 36-month average market value of the endowed fund.

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

NOTE 6 – Endowments *(continued)*

Named Endowments (continued)

The changes in the Foundation's named endowments by net asset classification during the fiscal year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance – July 1, 2017	$ 83,405	$ 1,318,839	$ 4,470,297	$ 5,872,541
Contributions	--	346,778	425,932	772,710
Investment income	--	42,604	--	42,604
Appreciation (depreciation) of investments, net	--	267,393	--	267,393
Appropriated for expenditure	--	(165,608)	(212,863)	(378,471)
Balance – June 30, 2018	$ 83,405	$ 1,810,006	$ 4,683,366	$ 6,576,777

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

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

NOTE 6 – Endowments *(continued)*

California Community Colleges Scholarship (CCCS) Endowment

In May 2008, the California Community Colleges Scholarship Endowment (the "CCCS Endowment") was launched via a gift of $25 million from the Bernard Osher Foundation (the "Osher Foundation") to the Foundation for California Community Colleges (the "FCCC"). The FCCC and California's community colleges were challenged with raising an additional $50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to $25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California's community college system.

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, all of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at El Camino College and the accumulated earnings, which does not include any funds contributed by the Osher Foundation. As of June 30, 2018 and 2017, the Foundation's beneficial interest in the CCCS Endowment totaled $1,918,123 and $1,887,696, respectively; inclusive of the CCCS Endowment funds to benefit students of El Camino College Compton Education Center (see Note 9). When coupled with funds distributed but not yet disbursed, the Foundation's net assets attributable to the CCCS Endowment are $2,051,841 and $1,963,715 as of June 30, 2018 and 2017, respectively.

In relation to the CCCS Endowment, this interpretation extends to the earnings on the fund, less distributions for scholarships made in conformance with the aforementioned agreements as determined by the FCCC. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the donation, and (b) net earnings less allowable distributions. Scholarship distributions made from the fund are classified as temporarily restricted income upon receipt of notification from the FCCC as to the amount and date of scheduled distributions.

NOTE 6 – Endowments *(continued)*

California Community Colleges Scholarship (CCCS) Endowment

The changes in the Foundation's beneficial interest in the CCCS Endowment balance by net asset classification during the fiscal year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance – July 1, 2017	$ --	$ 76,019	$ 1,887,696	$ 1,963,715
Contributions	--	144,100	--	144,100
Investment income	--	--	37,615	37,615
Appreciation (depreciation) of investments, net	--	--	80,079	80,079
Appropriated for expenditure	--	(86,401)	(87,267)	(173,668)
Balance – June 30, 2018	$ --	$ 133,718	$ 1,918,123	$ 2,051,841

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

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

NOTE 7 – 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 inputs for the asset.

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

Assets measured at fair value on the recurring basis as of June 30, 2018 were as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Equity securities	$ 3,225,428	$ 3,225,428	$ 3,225,428	$ --	$ --
Exchange traded funds	2,022,027	2,022,027	2,022,027	--	--
Bond	4,190,414	4,190,414	--	4,190,414	--
Total investments	9,437,869	9,437,869	5,247,455	4,190,414	--
Pledge receivable	1,758,442	1,758,442	--	--	1,758,442
Contributions receivable from split interest agreements	268,189	268,189	--	--	268,189
Beneficial interest in CCCS endowment	1,918,123	1,918,123	--	--	1,918,123
Total	$ 13,382,623	$ 13,382,623	$ 5,247,455	$ 4,190,414	$ 3,944,754

NOTE 7 – Fair Value Measurement *(continued)*

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

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

Pledge Receivable

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

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 fiscal year ended June 30, 2018, it was determined that measurement of the contributions receivable from split interest agreements is a fair value measurement on recurring basis. The measurement is considered to be a level 3 input within the fair value hierarchy even though the measurement is based on the fair value of underlying assets and the present value of annuity payments discounted using factors published by the Internal Revenue Service. The inputs are reported to the Foundation by the third party administrator and are therefore deemed unobservable to the Foundation's management.

NOTE 7 – Fair Value Measurement *(continued)*

Beneficial Interest in CCCS Endowment

The Foundation classifies its agreement with the FCCC and the CCCS Endowment as a perpetual trust held by an unrelated third party. The Foundation's beneficial interest in the CCCS endowment is required to be measured on a recurring basis at fair value. Generally Accepted Accounting Principles (GAAP) indicates that the fair value of the beneficial interest can be approximated by the fair value of the portion of the CCCS Endowment upon which the Foundation has an irrevocable beneficial interest, unless specific circumstances indicate otherwise. The Foundation's Board of Directors believes that no such circumstances exist.

NOTE 8 – Net Assets

Unrestricted Net Assets

Unrestricted net assets as of June 30, 2018 and 2017 were as follows:

	2018	2017
Board designated		
Challenge Grant program	$ 639,123	$ 49,691
Unrestricted Reserve	595,933	170,119
Total Board designated	1,235,056	219,810
Undesignated	218,806	191,973
Total Unrestricted Net Assets	$ 1,453,862	$ 411,783

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 were as follows:

	2018	2017
Challenge Grant program	$ --	$ 1,743,194
Receivable from split interest agreements	268,189	422,138
Other scholarships and programs	2,277,113	2,295,971
Distributable portion of endowments	1,810,992	1,435,459
Total Temporarily Restricted Net Assets	$ 4,356,294	$ 5,896,762

NOTE 8 – Net Assets *(continued)*

Temporarily Restricted Net Assets (continued)

Net assets released from donor restrictions during the fiscal years ended June 30, 2018 and 2017 include the following:

	2018	2017
Grants, program, and operating support	$ 900,308	$ 817,128
Stewardship fees	162,858	207,221
Challenge Grant program	659,235	--
Total Temporarily Restricted Net Assets Released	$ 1,722,401	$ 1,024,349

Permanently Restricted Net Assets

Permanently restricted net assets for the years ended June 30, 2018 and 2017 consist of donor restricted endowment assets as presented below and further explained in Note 6.

	2018	2017
Named Endowments	$ 4,683,366	$ 4,470,297
CCCS Endowment	1,918,123	1,887,696
Challenge Grant program	1,083,959	--
Total Permanently Restricted Net Assets	$ 7,685,448	$ 6,357,993

Net assets released from donor restrictions during the fiscal years ended June 30, 2018 and 2017 include the following:

	2018	2017
Grants, program, and operating support	$ 87,267	$ 95,333
Stewardship fees	125,596	114,280
Total Permanently Restricted Net Assets Released	$ 212,863	$ 209,613

Net assets transferred in due to donor restrictions during the fiscal years ended June 30, 2018 and 2017 include the following:

	2018	2017
Challenge Grant maturity	$ 1,083,959	$ --
Total Permanently Restricted Net Assets Transferred In	$ 1,083,959	$ --

NOTE 9 – Related Parties

El Camino Community College District

As described in Note 1, the Foundation's purpose is to support the College's students and programs; therefore, transactions between the Foundation and the College, College personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, certain College personnel serve as Ex-Officio members of the Foundation's Board of Directors by virtue of their position at the College.

In exchange for the support that the Foundation provides to the campus programs, the College contributes to the Foundation some portion of salaries and related expenses incurred and paid by the College on behalf of the Foundation. For the fiscal years ended June 30, 2018 and 2017, the College contributed $162,247 and $263,102, respectively, to the Foundation for personnel-related costs. For the fiscal years ended June 30, 2018 and 2017, the College contributed $19,200 and $18,000, 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.

Subsequent to year end, 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. 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 will then operate under the authority of the Compton Community College District (CCCD) Board of Trustees.

As the CCCS Endowment (see Note 6) was formed after the Compton 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 Center's students. The Foundation manages the CCCS Endowment assets as a separate fund permanently designated for scholarships to students of Compton Center, which is valued at roughly thirteen percent (13%) of the CCCS Endowment. Once Compton College is recognized as an independent college, the reallocation of funds by the FCCC will be considered an extraordinary event under generally accepted accounting principles.