

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

June 30, 2015 and 2014

HARTNELL COLLEGE FOUNDATION
FINANCIAL STATEMENTS
June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hartnell College Foundation
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of Hartnell College Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartnell College Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Organization on page i, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.



Crowe Horwath LLP

Sacramento, California
November 5, 2015

FINANCIAL STATEMENTS

HARTNELL COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,925,250	\$ 2,837,215
Grants/Pledges receivable, current (Note 2)	886,347	684,921
Prepaid expenses	<u>36,148</u>	<u>19,147</u>
Total current assets	3,847,745	3,541,283
Noncurrent assets:		
Pledges receivable, net of current portion (Note 2)	363,333	380,000
Investments (Note 3)	6,994,985	6,774,397
Property and equipment, net	<u>326,582</u>	<u>326,582</u>
Total noncurrent assets	<u>7,684,900</u>	<u>7,480,979</u>
Total assets	<u>\$ 11,532,645</u>	<u>\$ 11,022,262</u>
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 568,986	\$ 670,023
Scholarships payable	201,389	183,025
Deferred revenue	<u>45,980</u>	<u>32,652</u>
Total current liabilities	<u>816,355</u>	<u>885,700</u>
NET ASSETS		
Net assets (Note 5):		
Unrestricted	777,547	664,346
Temporarily restricted	4,708,584	4,541,861
Permanently restricted for endowments	<u>5,230,159</u>	<u>4,930,355</u>
Total net assets	<u>10,716,290</u>	<u>10,136,562</u>
Total liabilities and net assets	<u>\$ 11,532,645</u>	<u>\$ 11,022,262</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Donations	\$ 142,167	\$ 2,256,081	\$ 269,804	\$ 2,668,052
Special events	211,086	81,175	-	292,261
In-kind donations	222,294	22,596	-	244,890
Interest and dividends	3,256	177,259	-	180,515
Realized gain on investments	-	304,665	-	304,665
Unrealized loss on investments	-	(170,739)	-	(170,739)
Other revenue	120,968	270,326	-	391,294
Interfund transfers	(55,000)	25,000	30,000	-
Net assets released from restriction	<u>2,799,640</u>	<u>(2,799,600)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,444,411</u>	<u>166,723</u>	<u>299,804</u>	<u>3,910,938</u>
Expenses:				
Program expenses	2,930,599	-	-	2,930,599
Operating expenses	229,256	-	-	229,256
Fundraising expenses	<u>171,355</u>	<u>-</u>	<u>-</u>	<u>171,355</u>
Total expenses	<u>3,331,210</u>	<u>-</u>	<u>-</u>	<u>3,331,210</u>
Change in net assets	<u>113,201</u>	<u>166,723</u>	<u>299,804</u>	<u>579,728</u>
Net assets, July 1, 2014	<u>664,346</u>	<u>4,541,861</u>	<u>4,930,355</u>	<u>10,136,562</u>
Net assets, June 30, 2015	<u>\$ 777,547</u>	<u>\$ 4,708,584</u>	<u>\$ 5,230,159</u>	<u>\$ 10,716,290</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Donations	\$ 73,038	\$ 2,148,285	\$ 167,228	\$ 2,388,551
Special events	226,413	103,550	-	329,963
In-kind donations	201,741	39,981	-	241,722
Interest and dividends	3,531	132,359	-	135,890
Realized gain on investments	-	279,101	-	279,101
Unrealized gain on investments	-	709,388	-	709,388
Other revenue	151,890	109,829	-	261,719
Interfund transfers	(32,000)	(18,700)	50,700	-
Net assets released from restriction	<u>3,061,813</u>	<u>(3,061,813)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,686,426</u>	<u>441,980</u>	<u>217,928</u>	<u>4,346,334</u>
Expenses:				
Program expenses	3,091,482	-	-	3,091,482
Operating expenses	419,065	-	-	419,065
Fundraising expenses	<u>120,209</u>	<u>-</u>	<u>-</u>	<u>120,209</u>
Total expenses	<u>3,630,756</u>	<u>-</u>	<u>-</u>	<u>3,630,756</u>
Change in net assets	<u>55,670</u>	<u>441,980</u>	<u>217,928</u>	<u>715,578</u>
Net assets, July 1, 2013	<u>608,676</u>	<u>4,099,881</u>	<u>4,712,427</u>	<u>9,420,984</u>
Net assets, June 30, 2014	<u>\$ 664,346</u>	<u>\$ 4,541,861</u>	<u>\$ 4,930,355</u>	<u>\$ 10,136,562</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	<u>Operating</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 82,444	\$ 324,086	\$ 15,002	\$ 421,532
Employee benefits	13,775	58,865	2,793	75,433
Consulting and marketing	14,298	15,234	-	29,532
Accounting fees	12,494	-	-	12,494
Management/investment fees	-	165,883	-	165,883
Campus area expenses	-	1,454,654	-	1,454,654
Conferences, conventions, and meetings	5,636	19,305	2,416	27,357
Memberships	1,903	1,590	815	4,308
Equipment rental and maintenance	1,703	5,629	730	8,062
In-kind	62,526	156,941	25,423	244,890
Planned giving	-	-	5,002	5,002
Postage, printing, and publications	7,574	7,626	3,246	18,446
Scholarships	-	653,323	-	653,323
Special events	-	-	114,356	114,356
Supplies	2,575	36,658	1,104	40,337
Taxes and licenses	1,804	-	-	1,804
Telephone	1,093	-	468	1,561
Other	21,431	30,805	-	52,236
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	\$ <u>229,256</u>	\$ <u>2,930,599</u>	\$ <u>171,355</u>	\$ <u>3,331,210</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	<u>Operating</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 143,046	\$ 212,567	\$ 8,372	\$ 363,985
Employee benefits	23,401	34,774	1,370	59,545
Consulting and marketing	2,025	67,337	-	69,362
Accounting fees	12,955	-	-	12,955
Management/investment fees	-	155,228	-	155,228
Campus area expenses	-	1,657,821	-	1,657,821
Conferences, conventions, and meetings	5,313	15,385	2,277	22,975
Memberships	550	4,171	236	4,957
Equipment rental and maintenance	2,664	919	1,142	4,725
In-kind	201,741	39,981	-	241,722
Planned giving	-	-	5,048	5,048
Postage, printing, and publications	6,364	17,442	2,728	26,534
Scholarships	-	720,321	-	720,321
Special events	-	-	97,497	97,497
Supplies	3,590	54,257	1,539	59,386
Taxes and licenses	1,813	-	-	1,813
Telephone	1,508	647	-	2,155
Other	<u>14,095</u>	<u>110,632</u>	<u>-</u>	<u>124,727</u>
 Total functional expenses	 <u>\$ 419,065</u>	 <u>\$ 3,091,482</u>	 <u>\$ 120,209</u>	 <u>\$ 3,630,756</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 579,728	\$ 715,578
Reconciliation to net cash used in operating activities:		
Net change in the fair value of investments	170,739	(709,388)
Realized gain on sale of securities	(304,665)	(279,101)
Contributions restricted for endowment	(269,804)	(167,228)
Effect of changes in:		
Pledges receivable	(184,759)	(261,331)
Prepaid expenses	(17,001)	19,951
Accounts payable	(101,037)	(439,995)
Scholarships payable	18,364	28,808
Deferred revenue	13,328	(8,238)
Net cash used in operating activities	<u>(95,106)</u>	<u>(1,100,944)</u>
Cash flows from investing activities		
Purchase of investments	(2,442,226)	(2,681,949)
Proceeds from sale of investments	<u>2,355,564</u>	<u>2,643,700</u>
Net cash used in investing activities	<u>(86,663)</u>	<u>(38,249)</u>
Cash flows from financing activities		
Contributions restricted for endowment	<u>269,804</u>	<u>167,228</u>
Net change in cash and equivalents	88,035	(971,965)
Cash and cash equivalents – beginning of year	<u>2,837,215</u>	<u>3,809,180</u>
Cash and cash equivalents – end of year	<u>\$ 2,925,250</u>	<u>\$ 2,837,215</u>

See accompanying notes to financial statements.

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Hartnell College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized to provide support to various programs and functions of Hartnell Community College District (the "District" or "College"), as well as to provide a link between the District and the community. The Foundation is considered a component unit of the District for financial reporting purposes and, accordingly, is reported as a discreetly presented component unit in the District's financial statements.

The mission of Hartnell College Foundation is to actively support and advise the College in developing activities, programs and facilities; cultivate bequests and donations; and responsibly administer funds, properties, bequests, annuities, and other instruments in the best interest of the College, the District and the Foundation.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: The Foundation has adopted the provisions of Codification Topic 958-605, *Accounting for Contributions Received and Contributions Made*, and Codification Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less as cash equivalents.

Investments: Investments in marketable securities are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned.

(Continued)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: The Foundation accounts for its endowments in accordance with *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds* (Codification Topic 958-205). The Foundation's endowment currently consists of 19 individual funds established for the purpose of supporting education at the District. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality investment instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

Donations: Donations are recognized as revenues in the period received. Donations are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period the events occur.

District Support: District support is accrued when awarded by the Foundation for the benefit of the District and is unconditional. District support is provided from available income and principal in accordance with restrictions imposed by donors.

Pledges Receivable: Pledges receivable consist of unconditional and conditional promises to give. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Pledges which are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. At June 30, 2015 and 2014, management has determined that an allowance for uncollectible pledges is not considered necessary.

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (continued): Pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risks applicable in the years in which those promises are received. At June 30, 2015 and 2014, the Foundation has not applied a present value discount as the amount was not significant.

Concentration of Credit Risk: Cash balances held in banks are insured up to \$250,000 and are collateralized by the respective financial institution. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

At June 30, 2015, the bank balances of the Foundation's cash in banks and with brokers was \$3,059,113 of which \$821,718 was uninsured.

Tax Status: The United States Treasury Department determined that the Foundation is a nonprofit tax-exempt corporation as defined by Internal Revenue Code Section 501(c)(3). A similar determination was made by the California Franchise Tax Board under Section 237 of the State Revenue and Taxation code.

In 2003, the Foundation Board of Directors approved the 501(h) lobby election of the Internal Revenue Code. Such status provides the Foundation with the ability to participate in the public policy process through lobbying and advocacy campaigns, but limits the Foundation's expenses for this purpose to a maximum of 20% of the first \$500,000 of annual expenditures.

The Foundation has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Foundation uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes. The Foundation is not subject to any tax liability. Management does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the year ended June 30, 2015, the Foundation did not recognize any interest or penalties. The Foundation is subject to the filing of U.S. Federal and California informational returns. Federal returns for 2010 through 2013 and California returns for 2009 through 2013 are currently open for potential Federal and State examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Pledges receivable	\$ 1,249,680	\$ 1,064,921
Less: pledges receivable, current	<u>(886,347)</u>	<u>(684,921)</u>
Pledges receivable, noncurrent	<u>\$ 363,333</u>	<u>\$ 380,000</u>

NOTE 3 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Fixed income	\$ 722,007	\$ 625,163
Equity securities	5,813,375	5,667,328
Mutual funds	131,092	138,302
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	<u>328,511</u>	<u>343,604</u>
Total	<u>\$ 6,994,985</u>	<u>\$ 6,774,397</u>

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC. At June 30, 2015 and 2014, the Foundation investment in the pool consisted of 6% and 5% cash and short term investments, 23% and 24% fixed income securities, and 71% and 71% equity securities, respectively.

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>June 30, 2015</u>				
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Fixed income	\$ 722,007	\$ 722,007	\$ -	\$ -
Equity securities	5,813,375	5,813,375	-	-
Mutual funds	131,092	131,092	-	-
Investment in FCCC/Osher	<u>328,511</u>	<u>-</u>	<u>-</u>	<u>328,511</u>
Total investment securities	<u>\$ 6,994,985</u>	<u>\$ 6,666,474</u>	<u>\$ -</u>	<u>\$ 328,511</u>

<u>June 30, 2014</u>				
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Fixed income	\$ 625,163	\$ 625,163	\$ -	\$ -
Equity securities	5,667,328	5,667,328	-	-
Mutual funds	138,302	138,302	-	-
Investment in FCCC/Osher	<u>343,604</u>	<u>-</u>	<u>-</u>	<u>343,604</u>
Total investment securities	<u>\$ 6,774,397</u>	<u>\$ 6,430,793</u>	<u>\$ -</u>	<u>\$ 343,604</u>

The table below presents a reconciliation and statement of activities classification of gains/losses for all investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ending June 30:

	<u>FCCC/ Osher</u>
Beginning balance, July 1, 2014	\$ 343,604
Scholarship distributions	(16,000)
Management fees	(2,532)
Interest and dividends	8,676
Realized gains included in earnings	7,616
Unrealized gains including in earnings	<u>(12,853)</u>
Ending balance, June 30, 2015	<u>\$ 328,511</u>

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	FCCC/ Osher
Beginning balance, July 1, 2013	\$ 309,273
Scholarship distributions	(15,333)
Management fees	(1,226)
Interest and dividends	6,219
Realized gains included in earnings	17,155
Unrealized gains including in earnings	<u>27,516</u>
Ending balance, June 30, 2014	<u>\$ 343,604</u>

The fair value of the investments held by FCCC was based upon the net asset values (“NAV’s”) of the assets at June 30, 2015 and 2014. The fair value of the funds held by FCCC is based upon the Foundation’s proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. For alternative investments redeemable at NAV with redemption periods of 90 days or less, the assets are considered a Level 2 fair value measurement. Investments that are redeemable in greater than 90 days are considered a Level 3 fair value measurement due to the inability to redeem the asset at NAV in the near term (Level 3 inputs).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no changes in the valuation techniques used during the years ended June 30, 2015 and 2014. There were no transfers of assets between the fair value levels for the years ended June 30, 2015 and 2014.

The Foundation had no non-recurring assets and no liabilities at June 30, 2015 and 2014 which were required to be disclosed using the fair value hierarchy.

NOTE 4 – ADMINISTRATIVE SERVICE FEES

The Foundation earned revenues of \$102,476 and \$95,846 during the years ended June 30, 2015 and 2014, respectively, for services provided to the District in assisting in the administration of scholarships and loans to individual students in accordance with the terms and conditions specified in the individual scholarship fund.

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – NET ASSETS

Temporarily restricted – A summary of temporarily restricted net assets and the related donor restrictions are as follows at June 30:

	<u>2015</u>	<u>2014</u>
Academic program	\$ 1,878,867	\$ 2,547,254
Scholarships and awards	2,765,254	1,933,388
Federal Gear Up Grant	<u>64,463</u>	<u>61,219</u>
	<u>\$ 4,708,584</u>	<u>\$ 4,541,861</u>

Permanently restricted for endowment – At June 30 2015 and 2014, the Foundation held \$5,230,159 and \$4,930,355, respectively, in permanently restricted endowment funds for scholarships and awards. The investment income earned on these permanently restricted net assets is generally restricted as to purpose and is held in temporarily restricted net assets until the purpose is met at which time the funds are released from restriction.

Changes in endowment net assets for the fiscal year ended June 30 consisted of the following:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 505,308	\$ 1,550,414	\$ 4,930,355	\$ 6,986,077
Change in fair value of investments	(10,118)	(157,954)		(168,072)
Investment income	17,088	290,215		307,303
Contributions			269,804	269,804
Other transfer			30,000	30,000
Appropriation of endowment assets for expenditure	<u>(10,500)</u>	<u>(147,220)</u>		<u>(157,720)</u>
Endowment net assets, end of year	<u>\$ 501,778</u>	<u>\$ 1,535,455</u>	<u>\$ 5,230,159</u>	<u>\$ 7,267,392</u>

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – NET ASSETS (Continued)

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 347,229	\$ 925,712	\$ 4,712,427	\$ 5,985,368
Change in fair value of investments	157,106	537,918	-	695,024
Investment income	13,973	236,379	-	250,352
Contributions	-	-	167,228	167,228
Other transfer	-	-	50,700	50,700
Appropriation of endowment assets for expenditure	<u>(13,000)</u>	<u>(149,595)</u>	-	<u>(162,595)</u>
Endowment net assets, end of year	<u>\$ 505,308</u>	<u>\$ 1,550,414</u>	<u>\$ 4,930,355</u>	<u>\$ 6,986,077</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30 consisted of the following:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (905)	\$ 1,535,455	\$ 5,230,159	\$ 6,764,709
Board-designated endowment funds	<u>502,683</u>	-	-	<u>502,683</u>
Total	<u>\$ 501,778</u>	<u>\$ 1,535,455</u>	<u>\$ 5,230,159</u>	<u>\$ 7,267,392</u>

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (659)	\$ 1,550,414	\$ 4,930,355	\$ 6,480,110
Board-designated endowment funds	<u>505,967</u>	-	-	<u>505,967</u>
Total	<u>\$ 505,308</u>	<u>\$ 1,550,414</u>	<u>\$ 4,930,355</u>	<u>\$ 6,986,077</u>

(Continued)

HARTNELL COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – NET ASSETS (Continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	<u>2015</u>	<u>2014</u>
Permanently Restricted Net Assets – Portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 5,230,159</u>	<u>\$ 4,930,355</u>
Temporarily Restricted Net Assets – Purpose restricted Endowment funds	<u>\$ 1,535,455</u>	<u>\$ 1,550,414</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were two individual endowment funds with such deficiencies as of June 30, 2015 and 2014.

NOTE 6 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2015 to November 5, 2015, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.