

**PALOMAR COLLEGE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR YEARS ENDED**  
**DECEMBER 31, 2014 AND 2013**

**PALOMAR COLLEGE FOUNDATION  
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Palomar College Foundation**

We have audited the accompanying financial statements of Palomar College Foundation, (a non-profit organization), which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palomar College Foundation as of December 31, 2014 and 2013 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.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
June 18, 2015

**PALOMAR COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash In Banks	\$ 208,566	\$ 303,092
Investments	2,571,080	2,517,261
Accounts Receivable	90,550	65,600
Total Current Assets	2,870,196	2,885,953
Non-current Assets:		
Property and Equipment, Net	7,078	5,829
Other Assets:		
Endowment Investments	3,426,600	3,280,861
Investments Held Under Split-Interest Agreements	299,189	329,470
Prepaid Expenses	666	17,000
Total Other Assets	3,726,455	3,627,331
<b>TOTAL ASSETS</b>	<b>\$ 6,603,729</b>	<b>\$ 6,519,113</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Payable to Beneficiaries	18,894	16,891
Total Current Liabilities	18,894	16,891
Long-term Liabilities:		
Payable to Beneficiaries, Net of Current Portion	61,115	80,009
<b>TOTAL LIABILITIES</b>	80,009	96,900
<b>NET ASSETS</b>		
Unrestricted	1,370,505	1,069,229
Temporarily Restricted	2,035,381	2,435,150
Permanently Restricted	3,117,834	2,917,834
<b>TOTAL NET ASSETS</b>	6,523,720	6,422,213
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,603,729</b>	<b>\$ 6,519,113</b>

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 50,849	\$ 849,938	\$ 210,000	\$ 1,110,787
Contributions From Fund Raising Events	491,654	-	-	491,654
Donated Services and Facilities	531,462	-	-	531,462
Investment Return	162,285	157,952	-	320,237
Increase in Value of Beneficial Interests in Remainder Trusts	-	6,630	-	6,630
Net Assets Released From Restrictions, Satisfaction of Program Restrictions	1,406,900	(1,396,900)	(10,000)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,643,150</b>	<b>(382,380)</b>	<b>200,000</b>	<b>2,460,770</b>
<b>EXPENSES</b>				
Program Services:				
Grants/Allocations	802,459	-	-	802,459
Scholarships	413,046	-	-	413,046
Donated Services and Facilities	451,743	-	-	451,743
Fundraising Focus Wage Expense	140,635	-	-	140,635
Strategic Plan Expenses	13,614	-	-	13,614
Fund Raising Events	40,837	-	-	40,837
<b>Total Program Services</b>	<b>1,862,334</b>	<b>-</b>	<b>-</b>	<b>1,862,334</b>
Supporting Services:				
Clerical Support	20,701	-	-	20,701
Software, Support and Training	46,910	-	-	46,910
Printing and Duplicating	11,898	-	-	11,898
Consulting Fees	41,562	-	-	41,562
Travel and Conference	10,079	-	-	10,079
Audit and Tax Preparation	10,900	-	-	10,900
Office Expenses	26,806	-	-	26,806
Investment Fees	13,163	17,389	-	30,552
Other Operating Expenses	22,986	-	-	22,986
Fund Raising Events	163,349	-	-	163,349
Donated Services and Facilities	79,719	-	-	79,719
Memberships and Board Meetings	27,438	-	-	27,438
Strategic Plan Expenses	2,402	-	-	2,402
Depreciation	1,627	-	-	1,627
<b>Total Supporting Services</b>	<b>479,540</b>	<b>17,389</b>	<b>-</b>	<b>496,929</b>
<b>TOTAL EXPENSES</b>	<b>2,341,874</b>	<b>17,389</b>	<b>-</b>	<b>2,359,263</b>
<b>INCREASE (DECREASE) NET ASSETS</b>	<b>301,276</b>	<b>(399,769)</b>	<b>200,000</b>	<b>101,507</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,069,229</b>	<b>2,435,150</b>	<b>2,917,834</b>	<b>6,422,213</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,370,505</b>	<b>\$ 2,035,381</b>	<b>\$ 3,117,834</b>	<b>\$ 6,523,720</b>

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 40,364	\$ 778,501	\$ 35,000	\$ 853,865
Campaign Revenue	129,324	-	-	129,324
Contributions From Fund Raising Events	532,003	-	-	532,003
Donated Services and Facilities	521,526	-	-	521,526
Investment Return	228,398	268,921	-	497,319
Increase in Value of Beneficial Interests in Remainder Trusts	-	8,056	-	8,056
Net Assets Released From Restrictions, Satisfaction of Program Restrictions	908,937	(908,937)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,360,552</b>	<b>146,541</b>	<b>35,000</b>	<b>2,542,093</b>
<b>EXPENSES</b>				
Program Services:				
Grants/Allocations	695,645	-	-	695,645
Scholarships	367,482	-	-	367,482
Donated Services and Facilities	443,297	-	-	443,297
Supplemental Wage Expense	22,181	-	-	22,181
Fund Raising Events	40,622	-	-	40,622
Total Program Services	1,569,227	-	-	1,569,227
Supporting Services:				
Clerical Support	19,753	-	-	19,753
Software, Support and Training	26,456	-	-	26,456
Printing and Duplicating	7,703	-	-	7,703
Consulting Fees	21,684	-	-	21,684
Travel and Conference	7,006	-	-	7,006
Audit and Tax Preparation	11,100	-	-	11,100
Office Expenses	21,401	-	-	21,401
Investment Fees	26,463	-	-	26,463
Other Operating Expenses	30,730	-	-	30,730
Fund Raising Events	162,488	-	-	162,488
Donated Services and Facilities	78,229	-	-	78,229
Campaign Expenses	18,308	-	-	18,308
Memberships and Board Meetings	19,251	-	-	19,251
Depreciation	1,316	-	-	1,316
Total Supporting Services	451,888	-	-	451,888
<b>TOTAL EXPENSES</b>	<b>2,021,115</b>	<b>-</b>	<b>-</b>	<b>2,021,115</b>
<b>INCREASE IN NET ASSETS</b>	<b>339,437</b>	<b>146,541</b>	<b>35,000</b>	<b>520,978</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>729,792</b>	<b>2,288,609</b>	<b>2,882,834</b>	<b>5,901,235</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,069,229</b>	<b>\$ 2,435,150</b>	<b>\$ 2,917,834</b>	<b>\$ 6,422,213</b>

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 101,507	\$ 520,978
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,627	1,316
(Gain) Loss on Investments	(139,798)	(290,806)
Increase in Value of Beneficial Interests in Remainder Trusts	(6,630)	(8,056)
Distribution of Investments Under Split-Interest Agreements	23,520	23,520
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(24,950)	(65,600)
Prepaid Expenses	16,334	(17,000)
Accrued Expenses	-	(16,805)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(28,390)	147,547
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds From Sale of Investments	112,647	259,879
Purchase of Investments	(175,907)	(332,967)
Purchase of Furniture	(2,876)	(550)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(66,136)	(73,638)
<b>NET INCREASE (DECREASE) IN CASH</b>	(94,526)	73,909
<b>CASH AT BEGINNING OF YEAR</b>	303,092	229,183
<b>CASH AT END OF YEAR</b>	\$ 208,566	\$ 303,092

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**A. Organization and Summary of Significant Accounting Policies:**

*Nature of Activities*

Palomar College Foundation (Foundation) is a California nonprofit organization established in 1959 to secure supplemental funding and other resources for the benefit of the students and faculty of Palomar Community College District (District). The Foundation's programs include student scholarships, faculty grants, donor-designated funds, and special projects. The Foundation receives contributions to support the students and programs of the District.

*Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Revenues are recorded in the accounting period they become both measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

*Use of Estimates*

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

*Basis of Presentation*

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

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

*Cash and Cash Equivalents*

For the purpose of the statement of financial position and the statement of cash flows, the Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.



**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**A. Organization and Summary of Significant Accounting Policies: (Continued)**

*Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. It has been the policy of the Foundation that donations are considered to be available for unrestricted use unless specifically restricted by the donor.

*Investments*

The Foundation's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities.

*Contributed Materials and Services*

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and in carrying out the Foundation's operations. The services do not meet the criteria for recognition under ASC No. 958 and are, therefore, not recognized in the financial statements.

*Income Taxes*

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation may be subject to tax on income which is not related to its exempt purpose. No such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made. The Foundation is not a private foundation.

*Property and Equipment*

Acquisitions of property and equipment of \$500 or more are capitalized and are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

*Charitable Gift Annuities*

Charitable gift annuities are established in connection with split-interest agreements, in which the donors or third-party beneficiaries receive specified distributions during the term of the agreements.

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**A. Organization and Summary of Significant Accounting Policies: (Continued)**

All gift annuities are negotiated between the Foundation and the donor/annuitant, and based on the rate tables approved by the California Insurance Commissioner for gift annuity agreements. The assets are included in investments held under split-interest agreements and the liabilities for the net present value of the annuity payments are included in payable to beneficiaries in the statements of financial position.

*Advertising*

Advertising costs are expensed when incurred.

**B. Cash:**

Cash balances on hand and in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is entirely insured or collateralized.

Cash consists of the following:

	<u>2014</u>	<u>2013</u>
Checking	\$ 208,566	\$ 284,856
Certificates of deposit/other accounts	<u>-</u>	<u>18,236</u>
	<u>\$ 208,566</u>	<u>\$ 303,092</u>

**C. Investments:**

Investments consists of the following:

	<u>2014</u>	<u>2013</u>
Mutual funds:		
Marketable securities	\$ 4,906,938	\$ 4,625,784
Real estate investments	167,625	217,149
Trust funds	584,979	596,231
Other mutual funds	503,232	439,945
Money market funds	<u>134,095</u>	<u>248,483</u>
	<u>\$ 6,296,869</u>	<u>\$ 6,127,592</u>

Investment return and its classification for the year ended December 31, 2014 included in the statement of activities is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 88,019	\$ 92,420	\$ -	\$ 180,439
Realized gain on investments	226	117	-	343
Unrealized gain on investments	74,746	111,461	-	186,207
Unrealized loss on investments	<u>(706)</u>	<u>(46,046)</u>	<u>-</u>	<u>(46,752)</u>
	<u>\$ 162,285</u>	<u>\$ 157,952</u>	<u>\$ -</u>	<u>\$ 320,237</u>

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**C. Investments: (Continued)**

Investment return and its classification for the year ended December 31, 2013 included in the statement of activities is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 100,568	\$ 105,945	\$ -	\$ 206,513
Realized gain on investments	12,029	7,527	-	19,556
Unrealized gain on investments	127,366	155,449	-	282,815
Unrealized loss on investments	<u>(11,565)</u>	<u>-</u>	<u>-</u>	<u>(11,565)</u>
	<u>\$ 228,398</u>	<u>\$ 268,921</u>	<u>\$ -</u>	<u>\$ 497,319</u>

*Investment Accounting Policy*

The Foundation's general policy is to report money market investments and short-term participating interest-earning investment contracts at cost with all other investments being reported at fair value unless a legal contract exists which guarantees a higher value.

All funds of the Foundation are invested in a prudent manner with the intention to pursue a long-term investment objective of consistent capital growth through priority objectives of a) preservation of capital, b) liquidity sufficient for annual spending, and c) long-term income growth. Diversification policy states that no security shall exceed 2% of the portfolio (excluding treasury and agency securities commingled fund vehicles) and bond quality shall be a minimum weighted average fixed income rating of "A" grade with bond maturity having an average duration not to exceed seven years.

The Foundation's policy for endowments and endowed scholarship funds states that the endowed principal will be invested in those assets which have the highest statistical probability of preserving, in real rather than nominal terms, the corpus, while generating the maximum possible rate of return. Investment parameters include a) investing the funds on a long-term basis (five years or more), consistent capital growth, preserving the principal, and accepting minimal market risk.

**D. Analysis of Specific Deposit and Investment Risks:**

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. As of December 31, 2014 and December 31, 2013 the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. As of December 31, 2014 and December 31, 2013 the Foundation has not invested in any foreign investments and as such is not exposed to foreign currency risk.

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**D. Analysis of Specific Deposit and Investment Risks: (Continued)**

*Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the organization's name. As of December 31, 2014 and December 31, 2013, the Foundation was not exposed to custodial credit risk.

*Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of December 31, 2014 and December 31, 2013, the Foundation was not exposed to interest rate risk.

*Concentrations of Credit Risk*

The Foundation invests its excess cash in various types of marketable securities and money market funds. The Foundation has established guidelines relative to diversification and maturities that maximize safety and liquidity within acceptable levels. These guidelines are periodically reviewed and modified to take advantage of trends and yields in interest rates.

The Foundation invests in various investments securities, including marketable securities, equity securities, real estate investments, trust funds, and other mutual funds. Investment securities, in general, are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that change could materially affect the amounts reported in the financial statements.

**E. Accounts Receivable:**

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable consist of the following:

	2014	2013
Scholarship donations	\$ 68,000	\$ 32,000
Campaign revenues	-	16,000
Gala revenues	22,550	17,600
	\$ 90,550	\$ 65,600

All accounts receivable as of December 31, 2014 and 2013 are considered collectible by management. As a result, no allowance for doubtful accounts has been recorded.

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**F. Property and Equipment:**

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 34,408	\$ 31,532
Less accumulated depreciation	<u>(27,330)</u>	<u>(25,703)</u>
	<u>\$ 7,078</u>	<u>\$ 5,829</u>

**G. Functional Allocation of Expenses:**

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

**H. Restrictions on Net Assets:**

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Departmental funds	\$ 820,166	\$ 908,955
Internal scholarships	846,788	811,690
Auxiliary organization funds	29,586	28,245
Foundation endowment #1*	-	334,451
Charitable remainder trusts	215,687	215,943
Minkoff soccer field	4,759	34,759
Arboretum Hubbell structure	<u>118,395</u>	<u>101,107</u>
	<u>\$ 2,035,381</u>	<u>\$ 2,435,150</u>

\*Time restriction expired as of January 1, 2014 and all net assets released from restriction.

Permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Endowment funds	\$ 2,712,300	\$ 2,352,800
Scholarship funds	<u>405,534</u>	<u>565,034</u>
	<u>\$ 3,117,834</u>	<u>\$ 2,917,834</u>

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**I. Related Party Transactions:**

The District is the primary beneficiary of the Foundation. To assist the Foundation in carrying out its purpose, the Foundation has a master agreement with the District whereby the District provides administrative support to the Foundation. The District pays 100% of the salaries and benefits of the Executive Director, Advancement Office and College Foundation Coordinator, and Accountant. In addition, the District pays 75% of the salaries and benefits of the Scholarship Coordinator and provides free use of facilities.

Donated services and facilities for the year ended December 31, 2014 and for the year ended December 31, 2013 was \$531,462 and \$521,526, respectively. These amounts are included as donated services and facilities and as operating expenses in the statements of activities for the years ended December 31, 2014 and 2013.

**J. Split-Interest Agreements:**

The Foundation receives contributions under charitable gift annuities. The Foundation agrees to pay a stated amount annually to the beneficiaries as long as they live, at which time, the remaining assets are available for use by the Foundation. Total assets held under split-interest agreements as of December 31, 2014 and 2013 are \$299,189 and \$329,470, respectively, and the actuarial present value of the Foundation's interest in the gift annuities are \$219,179 and \$232,571 respectively. At December 31, 2014, the amounts payable to beneficiaries are \$80,009, of which \$18,894 is current and \$61,115 is long-term. At December 31, 2013, the amounts payable to beneficiaries are \$96,900 of which \$16,891 is current and \$80,009 is long-term. Payable to beneficiaries is the present value of the expected future cash flows to be paid to the beneficiaries.

The principal valuation technique for the split interest agreements is the present value of beneficial interests. As of December 31, 2014 and December 31, 2013 the range of significant input values in the split interest trusts reflected discount rates ranging from 1.2%-4.2% with a payout rate ranging from 5.00%-11.02%. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the inputs used in the fair value measurements based on current market conditions and third party information.

**K. Endowment Funds:**

Donors may designate current and future donations to the Foundation's endowment funds. Principal and income is governed by the terms of the endowment. The principal of each endowment is restricted in perpetuity until the occurrence of a specified event or for a specified period and the income is either restricted or available for current use. When restrictions on the principal fund balance end, the resources are transferred from the endowment fund to either the undesignated funds or a specific designated fund, in accordance with the terms of the gift or bequest. Income from the endowment funds is recorded in either designated or undesignated funds, depending on whether the donor has placed restrictions on the use of income.

As of December 31, 2014 and December 31, 2013, the Foundation had no endowment accounts whereby the endowment fund balance was below the initial preserved principal amount.

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**L. Subsequent Events:**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 30, 2015, the date the financial statements were available to be issued.