

PALOMAR COLLEGE FOUNDATION
FINANCIAL STATEMENTS
FOR YEARS ENDED
DECEMBER 31, 2015 AND 2014

**PALOMAR COLLEGE FOUNDATION
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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, 2015 and 2014 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, 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
June 28, 2016

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**PALOMAR COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Current Assets:		
Cash In Banks	\$ 189,257	\$ 208,566
Investments	3,007,066	2,571,080
Current Pledge Receivable, Net	99,542	-
Accounts Receivable	4,600	90,550
Total Current Assets	3,300,465	2,870,196
Fixed Assets:		
Property and Equipment, Net	5,430	7,078
Other Assets:		
Non-Current Pledge Receivable, Net	295,900	-
Endowment Investments	3,427,180	3,426,600
Investments Held Under Split-Interest Agreements	277,176	299,189
Prepaid Expenses	11,000	666
Total Other Assets	4,011,256	3,726,455
TOTAL ASSETS	\$ 7,317,151	\$ 6,603,729
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Payable to Beneficiaries	6,759	18,894
Total Current Liabilities	6,759	18,894
Long-term Liabilities:		
Payable to Beneficiaries, Net of Current Portion	57,195	61,115
TOTAL LIABILITIES	63,954	80,009
NET ASSETS		
Unrestricted	1,308,138	1,370,505
Temporarily Restricted	2,512,825	2,035,381
Permanently Restricted	3,432,234	3,117,834
TOTAL NET ASSETS	7,253,197	6,523,720
TOTAL LIABILITIES AND NET ASSETS	\$ 7,317,151	\$ 6,603,729

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Pledges and Contributions	\$ 131,552	\$ 1,456,398	\$ 314,400	\$ 1,902,350
Contributions From Fund Raising Events	615,935	-	-	615,935
Donated Services and Facilities	552,024	-	-	552,024
Investment Return	(17,106)	(21,806)	-	(38,912)
Increase in Value of Beneficial Interests in Remainder Trusts	-	7,473	-	7,473
Net Assets Released From Restrictions, Satisfaction of Program Restrictions	946,518	(946,518)	-	-
TOTAL REVENUE AND SUPPORT	2,228,923	495,547	314,400	3,038,870
EXPENSES				
Program Services:				
Grants/Allocations	656,089	-	-	656,089
Scholarships	499,351	-	-	499,351
Donated Services and Facilities	469,220	-	-	469,220
Fundraising Focus Wage Expense	130,172	-	-	130,172
Strategic Plan Expenses	29,298	-	-	29,298
Fund Raising Events	31,914	-	-	31,914
Total Program Services	1,816,044	-	-	1,816,044
Supporting Services:				
Clerical Support	21,200	-	-	21,200
Software, Support and Training	21,870	-	-	21,870
Printing and Duplicating	8,609	-	-	8,609
Consulting Fees	44,894	-	-	44,894
Travel and Conference	8,368	-	-	8,368
Audit and Tax Preparation	12,300	-	-	12,300
Office Expenses	18,726	-	-	18,726
Investment Fees	13,536	18,103	-	31,639
Other Operating Expenses	31,363	-	-	31,363
Fund Raising Events	180,849	-	-	180,849
Donated Services and Facilities	82,804	-	-	82,804
Memberships and Board Meetings	23,909	-	-	23,909
Strategic Plan Expenses	5,170	-	-	5,170
Depreciation	1,648	-	-	1,648
Total Supporting Services	475,246	18,103	-	493,349
TOTAL EXPENSES	2,291,290	18,103	-	2,309,393
INCREASE (DECREASE) NET ASSETS	(62,367)	477,444	314,400	729,477
NET ASSETS, BEGINNING OF YEAR	1,370,505	2,035,381	3,117,834	6,523,720
NET ASSETS, END OF YEAR	\$ 1,308,138	\$ 2,512,825	\$ 3,432,234	\$ 7,253,197

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>
REVENUE AND SUPPORT				
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)	-
TOTAL REVENUE AND SUPPORT	2,643,150	(382,380)	200,000	2,460,770
EXPENSES				
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
Total Program Services	1,862,334	-	-	1,862,334
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
Total Supporting Services	479,540	17,389	-	496,929
TOTAL EXPENSES	2,341,874	17,389	-	2,359,263
INCREASE (DECREASE) NET ASSETS	301,276	(399,769)	200,000	101,507
NET ASSETS, BEGINNING OF YEAR	1,069,229	2,435,150	2,917,834	6,422,213
NET ASSETS, END OF YEAR	\$ 1,370,505	\$ 2,035,381	\$ 3,117,834	\$ 6,523,720

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 729,477	\$ 101,507
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,648	1,627
(Gain) Loss on Investments	203,464	(139,798)
Increase in Value of Beneficial Interests in Remainder Trusts	(7,473)	(6,630)
Distribution of Investments Under Split-Interest Agreements	23,508	23,520
Changes in Operating Assets and Liabilities:		
Accounts Receivable	85,950	(24,950)
Prepaid Expenses	(10,334)	16,334
Pledge Receivable, Net	(395,442)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	630,798	(28,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale of Investments	37,114	112,647
Purchase of Investments	(687,221)	(175,907)
Purchase of Furniture	-	(2,876)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(650,107)	(66,136)
NET INCREASE (DECREASE) IN CASH	(19,309)	(94,526)
CASH AT BEGINNING OF YEAR	208,566	303,092
CASH AT END OF YEAR	\$ 189,257	\$ 208,566

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 AND 2014
(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, 2015 AND 2014
(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:

	2015	2014
Checking	\$ 184,171	\$ 208,566
Clearing Account	5,086	-
	<u>\$ 189,257</u>	<u>\$ 208,566</u>

C. Investments:

Investments consists of the following:

	2015	2014
Mutual funds:		
Marketable securities	\$ 5,328,231	\$ 4,906,938
Real estate investments	42,272	167,625
Trust funds	547,865	584,979
Other mutual funds	621,473	502,232
Money market funds	171,581	134,095
	<u>\$ 6,711,422</u>	<u>\$ 6,296,869</u>

Investment return and its classification for the year ended December 31, 2015 included in the statement of activities is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 79,491	\$ 85,061	\$ -	\$ 164,552
Realized gain on investments	-	5,070	-	5,070
Unrealized gain on investments	-	23	-	23
Unrealized loss on investments	(96,597)	(111,960)	-	(208,557)
	<u>\$ (17,106)</u>	<u>\$ (21,806)</u>	<u>\$ -</u>	<u>\$ (38,912)</u>

**PALOMAR COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

C. Investments: (Continued)

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>

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 and 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, 2015 and December 31, 2014 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, 2015 and December 31, 2014 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, 2015 AND 2014
(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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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 current receivables which are not scheduled for collection within one year of year end. Accounts receivable consist of the following:

	<u>2015</u>	<u>2014</u>
Scholarship donations	\$ 4,500	\$ 68,000
Gala revenues	100	22,550
	<u>\$ 4,600</u>	<u>\$ 90,550</u>

All current accounts receivable as of December 31, 2015 and 2014 are considered collectible by management. As a result, no allowance for doubtful accounts has been recorded. Current pledge receivables, net of amortized discount, are disclosed and presented under Note F.

**PALOMAR COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

F. Pledges Receivable:

The Foundation records unconditional promises to give as pledges receivable. In May 2015, the Foundation entered into a pledge agreement with Hunter Industries Incorporated (Donor) whereby the donor irrevocably pledges \$50,000 to the Foundation to be donated \$10,000 annually over a period of five years beginning November 1, 2015. The donor's pledge is being matched by an additional pledge of \$450,000 as a grant from the Hunter Family Advised Fund at the Rancho Santa Fe Foundation to be donated \$90,000 annually over a period of five years beginning November 1, 2015. The total pledge of \$500,000 is to be used in support of renovation of the greenbelt on the eastern end of Palomar College's San Marcos campus (The Arboretum Project). The collection of these pledges may be affected by economic conditions within the geographic area.

Pledges receivable are presented at the present value of estimated futures cash flows using the Foundation's earnings rate with Payden Money Market Account of 0.46%. At December 31, 2015 the face amount of pledges is \$400,000 and the amortized discount is \$4,558. Pledges are classified as temporarily restricted net assets and are due to be received as follows:

Due in less than one year	\$	100,000
Due in one to five years		300,000
Total pledges receivable		400,000
Less: unamortized discount		(4,558)
Pledges receivable, net	\$	395,442

G. Property and Equipment:

Property and equipment consist of the following:

	2015	2014
Furniture and equipment	\$ 34,408	\$ 34,408
Less accumulated depreciation	(28,978)	(27,330)
	\$ 5,430	\$ 7,078

H. 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.

PALOMAR COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

I. Restrictions on Net Assets:

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Departmental funds	\$ 1,001,117	\$ 820,166
Internal scholarships	774,907	846,788
Auxiliary organization funds	32,184	29,586
Charitable remainder trusts	210,210	215,687
Minkoff soccer field	4,759	4,759
Arboretum Hubbell structure	489,648	118,395
	<u>\$ 2,512,825</u>	<u>\$ 2,035,381</u>

Permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Endowment funds	\$ 2,944,900	\$ 2,712,300
Scholarship funds	487,334	405,534
	<u>\$ 3,432,234</u>	<u>\$ 3,117,834</u>

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, 2015 and 2014 are \$277,176 and \$299,189, respectively, and the actuarial present value of the Foundation's interest in the gift annuities are \$213,222 and \$219,180 respectively. At December 31, 2015, the amounts payable to beneficiaries are \$63,954, of which \$6,759 is current and \$57,195 is long-term. At December 31, 2014, the amounts payable to beneficiaries are \$80,009 of which \$18,894 is current and \$61,115 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, 2015 and December 31, 2014 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.

**PALOMAR COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

K. 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 paid 75% of the salaries and benefits of the Scholarship Coordinator from January through June 2015 and 100% thereafter from July through December 2015 and provides free use of facilities.

Donated services and facilities for the year ended December 31, 2015 and for the year ended December 31, 2014 was \$552,024 and \$531,462, 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, 2015 and 2014.

L. 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, the Foundation had no endowment accounts whereby the endowment fund balance was below the initial preserved principal amount.

As of December 31, 2015, the Foundation had nine endowment accounts whereby the endowment fund balance was below the initial preserved principal amount; however, the Foundation had sufficient unrestricted funds that allowed for temporary loan transfers to all 'underwater' endowments which increased the fund balance to the initial preserved principal amount. The total endowment balance below the initial preserved principal amount for all accounts inclusive was \$14,430 as of December 31, 2015.

M. Subsequent Events:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 28, 2016, the date the financial statements were available to be issued.