

**PALOMAR COLLEGE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR YEARS ENDED**  
**DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015 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, 2016 and 2015 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.

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**PALOMAR COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Current Assets:		
Cash In Banks	\$ 86,737	\$ 189,257
Investments	3,619,656	3,007,066
Current Pledge Receivable, Net	99,086	99,542
Accounts Receivable	50,080	4,600
Total Current Assets	3,855,559	3,300,465
Fixed Assets:		
Property and Equipment, Net	3,783	5,430
Other Assets:		
Non-Current Pledge Receivable, Net	196,814	295,900
Endowment Investments	3,364,413	3,427,180
Investments Held Under Split-Interest Agreements	221,552	277,176
Prepaid Expenses	7,842	11,000
Total Other Assets	3,790,621	4,011,256
<b>TOTAL ASSETS</b>	<b>\$ 7,649,963</b>	<b>\$ 7,317,151</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Payable to Beneficiaries	4,161	6,759
Total Current Liabilities	4,161	6,759
Long-term Liabilities:		
Payable to Beneficiaries, Net of Current Portion	53,034	57,195
<b>TOTAL LIABILITIES</b>	<b>57,195</b>	<b>63,954</b>
<b>NET ASSETS</b>		
Unrestricted	1,493,350	1,308,138
Temporarily Restricted	2,577,184	2,512,825
Permanently Restricted	3,522,234	3,432,234
<b>TOTAL NET ASSETS</b>	<b>7,592,768</b>	<b>7,253,197</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,649,963</b>	<b>\$ 7,317,151</b>

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Pledges and Contributions	\$ 158,629	\$ 943,150	\$ 310,000	\$ 1,411,779
Contributions From Fund Raising Events	574,121	-	-	574,121
Donated Services and Facilities	593,784	-	-	593,784
Investment Return	165,344	122,816	91,118	379,278
Increase in Value of Beneficial Interests in Remainder Trusts	-	5,319	-	5,319
Net Assets Released From Restrictions, Satisfaction of Program Restrictions	1,297,754	(986,636)	(311,118)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,789,632</b>	<b>84,649</b>	<b>90,000</b>	<b>2,964,281</b>
<b>EXPENSES</b>				
Program Services:				
Grants/Allocations	794,831	-	-	794,831
Scholarships	581,085	-	-	581,085
Donated Services and Facilities	504,716	-	-	504,716
Fundraising Focus Wage Expense	154,778	-	-	154,778
Strategic Plan Expenses	907	-	-	907
Fund Raising Events	46,900	-	-	46,900
<b>Total Program Services</b>	<b>2,083,217</b>	<b>-</b>	<b>-</b>	<b>2,083,217</b>
Supporting Services:				
Clerical Support	42,704	-	-	42,704
Software, Support and Training	17,644	-	-	17,644
Printing and Duplicating	8,358	-	-	8,358
Consulting Fees	35,459	-	-	35,459
Travel and Conference	15,001	-	-	15,001
Audit and Tax Preparation	11,600	-	-	11,600
Office Expenses	21,556	-	-	21,556
Investment Fees	15,307	20,290	-	35,597
Other Operating Expenses	44,616	-	-	44,616
Fund Raising Events	187,601	-	-	187,601
Donated Services and Facilities	89,068	-	-	89,068
Memberships and Board Meetings	30,482	-	-	30,482
Strategic Plan Expenses	160	-	-	160
Depreciation	1,647	-	-	1,647
<b>Total Supporting Services</b>	<b>521,203</b>	<b>20,290</b>	<b>-</b>	<b>541,493</b>
<b>TOTAL EXPENSES</b>	<b>2,604,420</b>	<b>20,290</b>	<b>-</b>	<b>2,624,710</b>
<b>INCREASE (DECREASE) NET ASSETS</b>	<b>185,212</b>	<b>64,359</b>	<b>90,000</b>	<b>339,571</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,308,138</b>	<b>2,512,825</b>	<b>3,432,234</b>	<b>7,253,197</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,493,350</b>	<b>\$ 2,577,184</b>	<b>\$ 3,522,234</b>	<b>\$ 7,592,768</b>

The accompanying notes are an integral part of this statement

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
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)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,228,923</b>	<b>495,547</b>	<b>314,400</b>	<b>3,038,870</b>
<b>EXPENSES</b>				
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
<b>Total Program Services</b>	<b>1,816,044</b>	<b>-</b>	<b>-</b>	<b>1,816,044</b>
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
<b>Total Supporting Services</b>	<b>475,246</b>	<b>18,103</b>	<b>-</b>	<b>493,349</b>
<b>TOTAL EXPENSES</b>	<b>2,291,290</b>	<b>18,103</b>	<b>-</b>	<b>2,309,393</b>
<b>INCREASE (DECREASE) NET ASSETS</b>	<b>(62,367)</b>	<b>477,444</b>	<b>314,400</b>	<b>729,477</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,370,505</b>	<b>2,035,381</b>	<b>3,117,834</b>	<b>6,523,720</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,308,138</b>	<b>\$ 2,512,825</b>	<b>\$ 3,432,234</b>	<b>\$ 7,253,197</b>

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 339,571	\$ 729,477
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,647	1,648
(Gain) Loss on Investments	(334,689)	203,464
Increase in Value of Beneficial Interests in Remainder Trusts	(5,319)	(7,473)
Distribution of Investments Under Split-Interest Agreements	12,079	23,508
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(45,480)	85,950
Prepaid Expenses	3,158	(10,334)
Pledge Receivable, Net	99,442	(395,442)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	70,409	630,798
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds From Sale of Investments	439,661	37,114
Purchase of Investments	(612,590)	(687,221)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(172,929)	(650,107)
<b>NET INCREASE (DECREASE) IN CASH</b>	(102,520)	(19,309)
<b>CASH AT BEGINNING OF YEAR</b>	189,257	208,566
<b>CASH AT END OF YEAR</b>	\$ 86,737	\$ 189,257

The accompanying notes are an integral part of this statement

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 AND 2015  
(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, 2016 AND 2015  
(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:

	2016	2015
Checking	\$ 86,637	\$ 184,171
Clearing Account	100	5,086
	<u>\$ 86,737</u>	<u>\$ 189,257</u>

**C. Investments:**

Investments consists of the following:

	2016	2015
Mutual funds:		
Marketable securities	\$ 5,565,183	\$ 5,328,231
Real estate investments	22,852	42,272
Trust funds	550,114	547,865
Other mutual funds	336,414	621,473
Money market funds	731,058	171,581
	<u>\$ 7,205,621</u>	<u>\$ 6,711,422</u>

Investment return and its classification for the year ended December 31, 2016 included in the statement of activities is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 52,436	\$ 27,247	\$ 44,200	\$ 123,883
Realized loss on investments	(53,407)	(12,935)	(12,952)	(79,294)
Unrealized gain on investments	166,315	108,504	59,870	334,689
	<u>\$ 165,344</u>	<u>\$ 122,816</u>	<u>\$ 91,118</u>	<u>\$ 379,278</u>

**PALOMAR COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

**C. Investments: (Continued)**

Investment return and its classification for the year ended December 31, 2015 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	\$ 79,491	\$ 85,061	\$ -	\$ 164,552
Realized gain on investments	-	5,070	-	5,070
Unrealized gain on investments	-	23	-	23
Unrealized loss on investments	<u>(96,597)</u>	<u>(111,960)</u>	<u>-</u>	<u>(208,557)</u>
	<u>\$ (17,106)</u>	<u>\$ (21,806)</u>	<u>\$ -</u>	<u>\$ (38,912)</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, 2016 and December 31, 2015 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, 2016 and December 31, 2015 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, 2016 AND 2015  
(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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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:

	2016	2015
Scholarship donations	\$ 3,965	\$ 4,500
Grants and contributions	46,115	-
Gala revenues	-	100
	\$ 50,080	\$ 4,600

All current accounts receivable as of December 31, 2016 and 2015 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, 2016 AND 2015  
(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 Bernstein Money Market Account of 0.46%. At December 31, 2016 the face amount of pledges is \$300,000 and the amortized discount is \$4,100. At December 31, 2015 the face amount of pledges is \$400,000 and the amortized discount is \$4,558. Pledges are classified as temporarily or permanently restricted net assets and are due to be received as follows:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 100,000	\$ 100,000
Due in one to five years	<u>200,000</u>	<u>300,000</u>
Total pledges receivable	300,000	400,000
Less: unamortized discount	<u>(4,100)</u>	<u>(4,558)</u>
Pledges recievable, net	<u>\$ 295,900</u>	<u>\$ 395,442</u>

**G. Property and Equipment:**

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 34,408	\$ 34,408
Less accumulated depreciation	<u>(30,625)</u>	<u>(28,978)</u>
	<u>\$ 3,783</u>	<u>\$ 5,430</u>

**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, 2016 AND 2015  
(Continued)**

**I. Restrictions on Net Assets:**

Temporarily restricted net assets consist of the following:

	2016	2015
Departmental funds	\$ 1,255,764	\$ 1,001,117
Internal scholarships	707,954	774,907
Auxiliary organization funds	33,260	32,184
Charitable remainder trusts	157,200	210,210
Minkoff soccer field	3,024	4,759
Arboretum Hubbell structure	419,982	489,648
	\$ 2,577,184	\$ 2,512,825

Permanently restricted net assets consist of the following:

	2016	2015
Endowment funds	\$ 3,034,900	\$ 2,944,900
Scholarship funds	487,334	487,334
	\$ 3,522,234	\$ 3,432,234

**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, 2016 and 2015 are \$221,552 and \$277,176, respectively, and the actuarial present value of the Foundation's interest in the gift annuities are \$164,537 and \$213,222 respectively. At December 31, 2016, the amounts payable to beneficiaries are \$57,195, of which \$4,161 is current and \$53,034 is long-term. At December 31, 2015, the amounts payable to beneficiaries are \$63,954 of which \$6,759 is current and \$57,195 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, 2016 and December 31, 2015 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, 2016 AND 2015  
(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, two Development Officers, and the Accountant. In addition, the District provides free use of facilities.

Donated services and facilities for the year ended December 31, 2016 and for the year ended December 31, 2015 was \$593,784 and \$552,024, 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, 2016 and 2015.

**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, 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.

As of December 31, 2016, the Foundation had six 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 \$15,818 as of December 31, 2016.

**M. Subsequent Events:**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 22, 2017, the date the financial statements were available to be issued.