ALLAN HANCOCK COLLEGE FOUNDATION

(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

JUNE 30, 2015

TABLE OF CONTENTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Allan Hancock College Foundation
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Allan Hancock College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Opinion

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 18, 2015

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 1,543,971
Cash and cash equivalents - restricted	1,395,399
Accounts receivable	13,643
Total Current Assets	2,953,013
Noncurrent Assets	
Investments	20,287,363
Beneficial interest in assets held by the Foundation for California Community Colleges	121,312
Total Noncurrent Assets	20,408,675
TOTAL ASSETS	$ 23,361,688
LIABILITIES	
Current Liabilities	
Accounts payable	$ 437,687
NET ASSETS	
Unrestricted	1,241,239
Temporarily restricted	15,617,910
Permanently restricted	6,064,852
TOTAL NET ASSETS	22,924,001
TOTAL LIABILITIES AND NET ASSETS	$ 23,361,688

See the accompanying notes to financial statements.

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Contributions	$ 15,753	$ 1,199,967	$ 126,925	$ 1,342,645
Other income	-	11,821	-	11,821
Net assets released from restrictions	1,720,549	(1,720,549)	-	-
Total Support and Revenues	1,736,302	(508,761)	126,925	1,354,466
Expenses				
Program	1,486,373	-	-	1,486,373
Operating	296,613	-	-	296,613
Total Expenses	1,782,986	-	-	1,782,986
Other Income (Expense)				
Net realized gain	8,214	355,513	-	363,727
Net unrealized loss	(21,669)	(680,948)	-	(702,617)
Interest and dividends	22,700	526,474	-	549,174
Total Other Income (Expense)	9,245	201,039	-	210,284
TRANSFERS	-	(2,007,809)	2,007,809	-
CHANGE IN NET ASSETS	(37,439)	(2,315,531)	2,134,734	(218,236)
NET ASSETS, BEGINNING OF YEAR	1,278,678	17,933,441	3,930,118	23,142,237
NET ASSETS, END OF YEAR	$ 1,241,239	$ 15,617,910	$ 6,064,852	$ 22,924,001

See the accompanying notes to financial statements.

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (218,236)
Net unrealized loss	702,617
Contributions restricted for long-term purposes	(1,326,892)
Change in operating assets and liabilities	
Accounts receivable	48,188
Accounts payable	87,121
Net Cash Flows From Operating Activities	(707,202)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,008,365)
Proceeds from sales of investments	3,647,153
Change in restricted cash and investments	1,232,064
Net Cash Flows From Investing Activities	(129,148)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	1,326,892
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	490,542
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,053,429
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,543,971

See the accompanying notes to financial statements.

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program	Operating	Total
Scholarships	$ 561,151	$ -	$ 561,151
Student assistance	7,630	-	7,630
Allan Hancock College support	765,386	-	765,386
PCPA Foundation support	16,260	-	16,260
Salaries	60,709	62,259	122,968
Employee benefits	6,319	6,588	12,907
Supplies and materials	60,070	28,011	88,081
Contracted personal services	4,721	25,833	30,554
Travel and conference	-	17,805	17,805
Memberships and permits	-	1,194	1,194
Telephone	-	684	684
Postage	-	2,943	2,943
Bank and brokerage charges	-	151,296	151,296
Miscellaneous expense	4,127	-	4,127
Total Expenses	$ 1,486,373	$ 296,613	$ 1,782,986

See the accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Allan Hancock College Foundation (the Foundation) (a California nonprofit corporation) was incorporated in the State of California in 1977 as a nonprofit public benefit corporation. The Foundation was organized with the purpose of providing benefits to the educational programs and services of the Allan Hancock Joint Community College District (the District). The Foundation is a Voluntary Health and Welfare Organization as defined by the Financial Accounting Standards Board (FASB) Accounting Standards of Codification (ASC) Topic 958.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The accompanying financial statements are presented in accordance with FASB ASC 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others.* Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Support and Expenses

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as unrestricted.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers assets and liabilities that can reasonably be expected, as part of its normal operations, to be converted to cash or liquidated within twelve months of the statement of net assets date to be current. All other assets and liabilities are considered noncurrent.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2015, the amount in excess of Federal insured coverage was $1,827,489.

Investments

Short-term investments are valued at amortized cost, which approximates market value. Investment transactions are recorded on the trade date. Realized gain and losses on sales of investments are determined on the specific identification basis.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken, or expected to be taken, on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Foundation's Federal informational tax returns for the years ended June 30, 2012, 2013, and 2014, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2011, 2012, 2013, and 2014, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and operating activities.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 represent amounts due to the Foundation as follows:

Accrued interest	$ 12,289
Amounts due from Allan Hancock Joint Community College District	1,354
Total	$ 13,643

NOTE 3 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	Adjusted Cost	Fair Market Value	Unrealized Loss
Common stock	$ 10,713,547	$ 10,314,701	$ (398,846)
Corporate bonds and notes	2,409,445	2,332,322	(77,123)
U.S. Government securities	1,570,557	1,563,429	(7,128)
Exchange traded funds	511,302	493,476	(17,826)
Mutual funds	5,785,129	5,583,435	(201,694)
Total	$ 20,989,980	$ 20,287,363	$ (702,617)

Investment activity for the year ended June 30, 2015:

Net realized gain on investments	$	363,727
Net unrealized loss on investments		(702,617)
Interest and dividends		549,174
Total investment income		210,284
Investment expenses		(151,296)
Total Investment Income, Net of Expenses	$	58,988

NOTE 4 - MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

Effective January 1, 2008, the Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in U.S. GAAP under FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level I **-** Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II **-** Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III **-** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015.

ASSETS	Level I
Common stock	$ 10,314,701
Corporate bonds and notes	2,332,322
U.S. Government securities	1,563,429
Exchange traded funds	493,476
Mutual funds	5,583,435
Total	$ 20,287,363

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

The Foundation participated in the Foundation for California Community Colleges (FCCC) Osher Scholarship Challenge. This program challenged community colleges and their related foundations to raise additional contributions to be designated as part of a permanent endowment for the FCCC's Osher Scholarship Endowment. Foundations participating in this challenge campaign are guaranteed scholarship monies for qualifying students of the community college district. The Foundation raised $100,000 toward this challenge campaign. At June 30, 2015, $121,312 is held as permanently restricted within the Foundation net assets and is held with the FCCC. A total of $6,000 was received during the year and made available for scholarships as qualifying students are identified. The Foundation receives no additional interest or dividends on the balance held at FCCC, and does not participate in the investment management of the funds. All donations to the FCCC Osher Scholarship Endowment must be left in the fund permanently, and cannot be returned or used for other purposes.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, represent amounts owed by the Foundation as follows:

Amounts due to Allan Hancock Joint Community College District	$ 436,280
Vendor payables	1,407
Total Payables	$ 437,687

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

The following table shows the temporarily restricted net asset accounts at June 30, 2015, with balances in excess of $100,000 shown discretely:

Patricia J. Boyd Fund	$ 11,276,326
Wood-Claeyssens Foundation Grant	1,036,176
STEM Grant Endowment	326,299
College Access Foundation Scholarship	132,000
AHC Veterinarian Program	107,319
Annual President's Circle Campaign	100,575
Other temporarily restricted accounts	2,639,215
Total	$ 15,617,910

During the year ended June 30, 2015, temporarily restricted assets totaling $1,720,549 were released to the unrestricted fund which records the programs' expenses.

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

The following table shows the permanently restricted net asset accounts at June 30, 2015, with balances in excess of $100,000 shown discretely:

ACH Boyd Music Program	$ 2,000,000
Rick Family Memorial Endowment	473,500
Edwin O'Neil Law Endowment	263,719
Hansen Engineering Scholarship Endowment	220,000
Bartleson Family Trust	217,982
Bartleson Osher Endowment	120,768
Urbach-Sjovold Scholarship Endowment	112,392
Marian Hancock Memorial Endowment	101,245
Lipscomb Scholarship Endowment	100,000
R. Perlman Playwright Endowment	100,000
Glenn H. Robinson Endowment	100,000
Other permanently donor restricted accounts	2,255,246
Total	$ 6,064,852

NOTE 9 - TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2015, temporarily restricted endowments were transferred to permanently restricted funds based on management analysis and donor authorizations.

NOTE 10 - ENDOWMENTS

The Foundation's endowment consists of 132 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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 has classified as permanently restricted net assets (a) original value of gifts donated to permanent endowment (b) plus the original value of subsequent gifts to the endowments (c) plus accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

As of June 30, 2015, endowment net assets were composed of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Donor-restricted endowment funds	$ -	$ 13,159,166	$ 6,064,852	$ 19,224,018
Board-designated endowment funds	931,088	-	-	931,088
Total	$ 931,088	$ 13,159,166	$ 6,064,852	$ 20,155,106

ALLAN HANCOCK COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Balance at July 1, 2014	$ 923,507	$ 15,198,386	$ 3,930,118	$ 20,052,011
Investment income, net of fees	23,295	183,657	-	206,952
Net change in value	25,702	1,422	-	27,124
Contributions	-	386,952	126,925	513,877
Amounts appropriated for expenditures	(41,416)	(603,442)	-	(644,858)
Other changes and net transfers	-	(2,007,809)	2,007,809	-
Endowment net assets, June 30, 2015	$ 931,088	$ 13,159,166	$ 6,064,852	$ 20,155,106

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor of the UPMIFA required the Foundation to retain as a fund of perpetual duration ("below water endowments"). In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature reported as of June 30, 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-specified as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of indices of similar style funds (e.g. Standard and Poor's 500, Russell 3000, etc.) and/or comparable benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an endowment funding policy that establishes the procedure to set the annual distribution amount for each endowment fund. The policy takes into consideration the Foundation's long-term investment objectives and specifies that if the endowment value is between 100 percent and 129 percent of its corpus value, up to 5 percent of the value may be spent. If the endowment value is less than its corpus value, no distribution may be made for that year. If the endowment value is above 129 percent of its corpus value, the Board may take action to approve a distribution in excess of 5 percent, but not to cause the endowment value to fall below 124 percent of the corpus value. In addition, this policy provides that a donor or the Foundation Board may designate an endowment as a quasi-endowment so that all of the income and corpus can be spent to fulfill the purpose of the endowment.

NOTE 11 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 18, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.