

MONTEREY PENINSULA COLLEGE FOUNDATION

(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017 AND 2016

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

DECEMBER 31, 2017 AND 2016

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Monterey Peninsula College Foundation
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of Monterey Peninsula College Foundation (a California nonprofit corporation) (the Foundation) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Rancho Cucamonga, California
May 14, 2018

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 394,238	\$ 255,779
Restricted	310,525	221,053
Restricted - agency	47,345	28,100
Unconditional promises to give	31,646	84,570
Prepaid expenses and other assets	5,998	6,054
Total Current Assets	789,752	595,556
Noncurrent Assets		
Investments - unrestricted	324,393	295,358
Investments - restricted	4,741,179	4,024,109
Investments - agency	1,218,538	1,145,662
Investment related to split-interest agreement in remainder trust	5,551	7,015
Unconditional promises to give - long-term portion - net	9,670	19,021
Capital assets (net of accumulated depreciation)	4,596	3,163
Total Noncurrent Assets	6,303,927	5,494,328
Total Assets	\$ 7,093,679	\$ 6,089,884
LIABILITIES		
Accounts payable and other current liabilities	\$ -	\$ 10,214
Payroll liability	4,178	9,959
Amounts held for others	1,265,883	1,173,762
Total Liabilities	1,270,061	1,193,935
NET ASSETS		
Unrestricted		
Undesignated	316,859	130,468
Board designated	200,030	210,754
Total Unrestricted	516,889	341,222
Temporarily restricted	1,498,718	642,786
Permanently restricted	3,808,011	3,911,941
Total Net Assets	5,823,618	4,895,949
Total Liabilities and Net Assets	\$ 7,093,679	\$ 6,089,884

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 204,242	\$ 1,001,067	\$ 64,227	\$ 1,269,536
First 5 Grant	97,750	-	-	97,750
Monterey Peninsula College	12,500	-	-	12,500
Other income	365,679	24,292	-	389,971
Assets released from restrictions	901,474	(901,474)	-	-
Total Public Support and Revenues	1,581,645	123,885	64,227	1,769,757
EXPENSES				
Program	1,014,617	-	-	1,014,617
Operating	250,948	-	-	250,948
Fundraising	198,367	-	-	198,367
Total Expenses	1,463,932	-	-	1,463,932
OTHER INCOME (EXPENSE)				
Interest and dividends	16,098	128,225	-	144,323
Unrealized gain on investments	41,856	437,129	-	478,985
Change in value of split-interest agreement	-	(1,464)	-	(1,464)
Total Other Income (Expense)	57,954	563,890	-	621,844
TRANSFERS	-	168,157	(168,157)	-
CHANGE IN NET ASSETS	175,667	855,932	(103,930)	927,669
NET ASSETS, BEGINNING OF YEAR	341,222	642,786	3,911,941	4,895,949
NET ASSETS, END OF YEAR	\$ 516,889	\$ 1,498,718	\$ 3,808,011	\$ 5,823,618

The accompanying notes are an integral part of these financial statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 266,778	\$ 572,458	\$ 93,572	\$ 932,808
70,920	-	-	70,920
100,000	-	-	100,000
114,607	44,889	-	159,496
723,162	(723,162)	-	-
<u>1,275,467</u>	<u>(105,815)</u>	<u>93,572</u>	<u>1,263,224</u>
933,769	-	-	933,769
225,678	-	-	225,678
176,958	-	-	176,958
<u>1,336,405</u>	<u>-</u>	<u>-</u>	<u>1,336,405</u>
17,054	121,461	-	138,515
25,233	246,489	-	271,722
-	78	-	78
<u>42,287</u>	<u>368,028</u>	<u>-</u>	<u>410,315</u>
<u>-</u>	<u>(243,327)</u>	<u>243,327</u>	<u>-</u>
(18,651)	18,886	336,899	337,134
<u>359,873</u>	<u>623,900</u>	<u>3,575,042</u>	<u>4,558,815</u>
<u>\$ 341,222</u>	<u>\$ 642,786</u>	<u>\$ 3,911,941</u>	<u>\$ 4,895,949</u>

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 927,669	\$ 337,134
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	1,171	1,055
Unrealized gain on investments	(478,985)	(271,722)
Contributions restricted for temporarily and permanently restricted purposes	(1,065,294)	(666,030)
Changes in Assets and Liabilities		
Unconditional promises to give	62,275	(66,452)
Prepaid expenses and other assets	56	3,252
Split-interest agreement in remainder trust	1,464	(78)
Accounts payable and other current liabilities	(15,995)	14,798
Amounts held for others	92,121	52,131
Net Cash Flows From Operating Activities	(475,518)	(595,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	(339,996)	(216,271)
Purchase of fixed assets	(2,604)	-
Net Cash Flows From Investing Activities	(342,600)	(216,271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for temporarily and permanently restricted purposes	1,065,294	666,030
Change in restricted cash and cash equivalents	(108,717)	139,690
Net Cash Flows From Financing Activities	956,577	805,720
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	138,459	(6,463)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	255,779	262,242
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 394,238	\$ 255,779

The accompanying notes are an integral part of these financial statements.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2017			Total
	Program	Operating	Fundraising	
Scholarships, Internships, and Student Support	\$ 377,885	\$ -	\$ -	\$ 377,885
Textbook Assistance	31,300	-	-	31,300
Student Emergency Assistance	7,987	-	-	7,987
Faculty and Staff Support	31,178	-	-	31,178
MPC Campus and Program Support	427,875	-	-	427,875
Events	1,636	45,975	58,330	105,941
Public Relations	-	-	11,592	11,592
Accounting and Professional Services	-	21,890	-	21,890
Banking and Investment Fees	58,157	12,069	-	70,226
Foundation Salaries and Benefits	77,428	130,610	104,379	312,417
Office and Administrative Expenses	1,171	40,404	24,066	65,641
Total Expenses	\$ 1,014,617	\$ 250,948	\$ 198,367	\$ 1,463,932

The accompanying notes are an integral part of these financial statements.

2016

Program	Operating	Fundraising	Total
\$ 379,064	\$ -	\$ -	\$ 379,064
26,750	-	-	26,750
19,970	-	-	19,970
29,751	-	-	29,751
283,110	-	-	283,110
-	44,322	18,288	62,610
-	-	6,369	6,369
-	18,859	-	18,859
53,245	8,031	-	61,276
141,879	124,179	132,838	398,896
-	30,287	19,463	49,750
\$ 933,769	\$ 225,678	\$ 176,958	\$ 1,336,405

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Monterey Peninsula College Foundation (the Foundation) is a nonprofit organization whose main purpose is to support education and educational purposes of Monterey Peninsula Community College District (the District), a California public community college located in Monterey, California, through raising funds and acquiring real and personal properties to support the District's programs of public education and its community programs. The Foundation was incorporated in the State of California in November 1994. 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 Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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 *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. 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.

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 regarding the timing and purpose for the use of the contributions, the Foundation reports these contributions as unrestricted.

Investments

The Foundation presents its investments in accordance with FASB ASC Topic 958-320, *Investments Debt and Equity Securities*. Under FASB ASC Topic 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in accordance with donor instructions.

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Capital Assets

The Foundation maintains an initial unit cost capitalization threshold of \$500. Capital assets are stated at cost, or if donated, at estimated fair value on the date of donation. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight line method based on the assets' estimated useful lives ranging from three to seven years.

Donated Services and Goods

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. The Foundation maintains its bank accounts at two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000. As of December 31, 2017 and 2016, \$268,768 and \$0, respectively, were uninsured.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management monitors the collectibility of their pledges and annually adjusts the balances.

Income Taxes

The Foundation is exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation annually files Forms 990, 199, and RRF-1 with the appropriate agencies, as well as Forms 990T and 109, when applicable. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). There was no unrelated business activity income.

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 December 31, 2014, 2015, and 2016, are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2013, 2014, 2015, and 2016, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The discount rate used was 3.41 percent for the years ended December 31, 2017 and 2016, respectively. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management monitors and reviews the unconditional pledges on a monthly basis. Uncollectible pledges written off for the years ended December 31, 2017 and 2016, amounted to \$0 and \$0, respectively.

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

The Foundation's unconditional promises to give consisted of the following at December 31:

	2017	2016
Unconditional promises to give before unamortized discount and allowance for doubtful accounts	\$ 41,646	\$ 104,570
Less: Unamortized discount	(330)	(979)
Net Unconditional Promises to Give	\$ 41,316	\$ 103,591
Amounts due in:		
Less than one year	\$ 31,646	\$ 84,570
One to five years	10,000	20,000
Less: Unamortized discount	(330)	(979)
Subtotal long-term portion of unconditional promises to give	9,670	19,021
Total	\$ 41,316	\$ 103,591

NOTE 3 - OSHER ENDOWMENT SCHOLARSHIP

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a \$25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, for the years ended December 31, 2017 and 2016, the College and its donors have contributed \$339,728 from the agency accounts that reside in the Foundation. As of December 31, 2017 and 2016, the ending balance of the Osher Endowment Scholarship was \$339,728 and was included in the agency investment totals of \$1,218,538 and \$1,145,662, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 - INVESTMENTS

Investments are stated at fair value and are summarized as of December 31, 2017:

	Adjusted Cost	Fair Value	Unrealized Gain
Equity, Bonds, and Mutual Funds - Foundation	\$4,586,587	\$ 5,065,572	\$ 478,985
Beneficiary Remainder Trust	5,551	5,551	-
Equity, Bonds, and Mutual Funds - Agency Funds (excluding Osher)	878,810	878,810	-
Investments - cash held by Foundation for California Community Colleges Osher Endowment Scholarship Fund	339,728	339,728	-
Total	<u>\$ 5,810,676</u>	<u>\$ 6,289,661</u>	<u>\$ 478,985</u>

Investments are stated at fair value and are summarized as of December 31, 2016:

	Adjusted Cost	Fair Value	Unrealized Gain
Equity, Bonds, and Mutual Funds - Foundation	\$4,047,745	\$4,319,467	\$ 271,722
Beneficiary Remainder Trust	7,015	7,015	-
Equity, Bonds, and Mutual Funds - Agency Funds (excluding Osher)	805,934	805,934	-
Investments - cash held by Foundation for California Community Colleges Osher Endowment Scholarship Fund	339,728	339,728	-
Total	<u>\$ 5,200,422</u>	<u>\$ 5,472,144</u>	<u>\$ 271,722</u>

Investment activity for the year ended December 31, 2017, consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 16,098	\$ 128,225	\$ 144,323
Unrealized gain	41,856	437,129	478,985
Total Investment Gain	<u>\$ 57,954</u>	<u>\$ 565,354</u>	<u>\$ 623,308</u>

Investment activity for the year ended December 31, 2016, consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 17,054	\$ 121,461	\$ 138,515
Unrealized gain	25,233	246,489	271,722
Total Investment Gain	<u>\$ 42,287</u>	<u>\$ 367,950</u>	<u>\$ 410,237</u>

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 - FAIR VALUE DISCLOSURES

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 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.

Fair Value Measurements

The Foundation used the market approach to estimate fair value for all investment assets.

The following table provides a summary of the financial instruments the Foundation measures at fair value on a recurring basis as of December 31, 2017:

	<u>Level I</u>	<u>Level III</u>	<u>Total</u>
Investment Assets			
Equity, Bonds, and Mutual Funds - Foundation	\$ 5,065,572	\$ -	\$ 5,065,572
Equity, Bonds, and Mutual Funds - Agency Funds (excluding Osher)	878,810	-	878,810
Beneficiary Remainder Trust	-	5,551	5,551
Investments - cash held by Foundation for California Community Colleges Osher Endowment Scholarship Fund	339,728	-	339,728
Other Assets			
Unconditional promises to give, net	-	41,316	41,316
Total	<u>\$ 6,284,110</u>	<u>\$ 46,867</u>	<u>\$ 6,330,977</u>

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

The following table provides a summary of the financial instruments the Foundation measures at fair value on a recurring basis as of December 31, 2016:

	Level I	Level III	Total
Investment Assets			
Equity, Bonds, and Mutual Funds - Foundation	\$4,319,467	\$ -	\$4,319,467
Equity, Bonds, and Mutual Funds - Agency Funds (excluding Osher)	805,934	-	805,934
Beneficiary Remainder Trust	-	7,015	7,015
Investments - cash held by Foundation for California Community Colleges Osher Endowment Scholarship Fund	339,728	-	339,728
Other Assets			
Unconditional promises to give, net	-	103,591	103,591
Total	\$5,465,129	\$ 110,606	\$5,575,735

The following table summarizes the changes in the Foundation's investment assets measured at fair value on a recurring basis as of December 31, 2017:

	Level III
Investments at Fair Value	
Balance at December 31, 2016	\$ 110,606
Current Year Adjustments:	
Adjustment to reflect changes in beneficiary remainder trust	(1,464)
Unconditional promises to give	(62,275)
Balance at December 31, 2017	\$ 46,867

The following table summarizes the changes in the Foundation's investment assets measured at fair value on a recurring basis as of December 31, 2016:

	Level III
Investments at Fair Value	
Balance at December 31, 2015	\$ 44,076
Current Year Adjustments:	
Adjustment to reflect changes in beneficiary remainder trust	78
Unconditional promises to give	66,452
Balance at December 31, 2016	\$ 110,606

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 - AMOUNTS HELD FOR OTHERS

The Foundation acts as a fiscal agent for departments, organizations, and groups of Monterey Peninsula College. Accordingly, at December 31, 2017 and 2016, \$1,265,883 and \$1,173,762, respectively, of the Foundation's assets belongs to other parties. The Foundation does not have legal access nor any discretion over the funds held for others behalf.

	2017			
	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	\$ 354,460	\$ 50,698	\$ 16,426	\$ 388,732
Orr Scholarship Trust	86,205	12,478	1,311	97,372
MPC Scholarship Endowments	206,744	29,701	7,201	229,244
Long-Term Endowments	186,625	27,014	2,832	210,807
Osher Endowment Fund	339,728	-	-	339,728
Total	\$ 1,173,762	\$ 119,891	\$ 27,770	\$ 1,265,883

	2016			
	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	\$ 335,905	\$ 34,690	\$ 16,135	\$ 354,460
Orr Scholarship Trust	79,231	8,188	1,214	86,205
MPC Scholarship Endowments	190,595	19,706	3,557	206,744
Long-Term Endowments	176,172	18,194	7,741	186,625
Osher Endowment Fund	339,728	-	-	339,728
Total	\$ 1,121,631	\$ 80,778	\$ 28,647	\$ 1,173,762

NOTE 7 - CAPITAL ASSETS

The following is a summary of capital assets as of December 31,:

	2017	2016
Furniture and equipment	\$ 13,600	\$ 10,996
Less: Accumulated depreciation	(9,004)	(7,833)
Total	\$ 4,596	\$ 3,163

Depreciation expenses for the years ended December 31, 2017 and 2016, were \$1,171 and \$1,055, respectively.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 - DONOR DESIGNATED ENDOWMENT FUNDS

The Foundation's endowment funds consist of approximately 31 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowments are classified and reported based on existence of donor-imposed restrictions as either unrestricted, temporarily restricted, or permanently restricted.

The Board of Trustees has adopted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. 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.

In accordance with SPMIFA, 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.

Investment Return Objectives, Risk Parameters, and Strategies: The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual tiered distribution of four to six percent, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation's Board approved spending policy, known as Banded Inflation, was created to protect the values of the endowments. First year spending will be four percent of the original gift. Thereafter, spending for each calendar year will be the prior year's spending increased by the Consumer Price Index, subject to the minimum of four percent and the maximum of six percent bands. This rate will be reviewed annually. The expenditure rate includes an administrative expense of one percent of assets on September 30 of each year.

Endowment net asset compositions by type of fund are as follows as of December 31,:

	2017	2016
	Permanently	Permanently
	Restricted	Restricted
Donor-restricted endowment funds	\$ 3,808,011	\$ 3,911,941

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Changes in endowment net assets as of December 31, 2017, are as follows:

	Permanently Restricted
Balance at December 31, 2016	\$ 3,911,941
Contributions	64,227
Transfer out	(168,157)
Balance at December 31, 2017	\$ 3,808,011

Changes in endowment net assets as of December 31, 2016, are as follows:

	Permanently Restricted
Balance at December 31, 2015	\$ 3,575,042
Contributions	93,572
Transfer in	243,327
Balance at December 31, 2016	\$ 3,911,941

NOTE 9 - BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consist of the following at December 31,:

	2017	2016
General Reserve	\$ 200,000	\$ 200,000
Board of Directors Designated Scholarships	-	500
Board of Directors Designated Campus Support	1,200	1,618
FASA Grants	(1,170)	8,636
Total Board Designated Unrestricted Net Assets	\$ 200,030	\$ 210,754

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 - RESTRICTIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Scholarships and Internships	\$ 51,043	\$ 76,899
Textbook Assistance	993	5,000
College Incentive Program	232,052	161,069
Emergency Assistance	70,666	59,857
Faculty and Staff Support	169,974	22,354
Athletics and Booster Club	66,786	57,588
Beneficiary Trust	5,551	7,015
Child Development Center	26,743	135,842
MPCF Strategic Planning Implementation	182,306	-
Other MPC Departments and Programs	72,931	117,162
Temporarily Restricted Balance of Endowments	<u>619,673</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,498,718</u>	<u>\$ 642,786</u>

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Permanently restricted net assets consist of the following at December 31,:

	2017	2016
Midori Arima Scholarship Fund	\$ 25,000	\$ -
Balestreri Family Scholarship Fund	10,247	10,833
Dr. Peggy Downs-Baskin Faculty Advancement Endowment	267,749	313,434
Robert K. Bullock Journalism Scholarship Endowment	2,230,310	2,221,260
Chevron FASA Award Fund	47,500	47,500
Peter J. Cutino Athlete of the Year Endowment	35,045	32,237
Donald L. Davidson, M.D. Memorial Scholarship Endowment	17,920	18,004
Jennifer Denmark Memorial Scholarship Endowment	13,789	13,662
Doolittle Performing Arts Fund	25,000	26,828
Alison Faul Memorial Scholarship Endowment	15,870	15,786
George J. Faul Academic Excellence Endowment	100,000	110,743
Dr. Douglas Garrison Fund for Education Excellence	24,350	21,280
Bruce C. Gregor Memorial Scholarship Endowment	15,685	15,517
Marilynn Dunn Gustafson Scholarship Endowment	12,585	13,087
Rosabelle Hamann Memorial Scholarship Fund	330,727	399,499
Dr. Richard Kezirian Endowed Scholarship	65,477	58,719
Jon M. Lefstad Scholarship Endowment	10,000	10,362
John and Jeanne Logan Memorial Award Endowment	25,590	24,670
John Mahoney Scholarship Fund	18,000	15,628
Donald and Laura Newmark Scholarship Endowment	51,500	51,114
Rod Oka Scholarship Fund	14,860	14,414
Operating Reserve Endowment	129,138	141,108
William M. Shanner Memorial Award Endowment	32,083	13,751
Clyn Smith, M.D. Memorial Scholarship Endowment	20,150	20,558
Dorothy D. Stevens Memorial Fund	142,600	163,596
Leon and Mary Lou Stutzman Choral Music Scholarship Endowment	12,084	18,424
Mary Lou Stutzman Nursing Scholarship Endowment	16,263	17,167
Dr. Winona Trason Scholarship Fund	10,000	10,502
Jim Tunney Scholar Athlete Award	20,963	26,649
Martha Mulford Ceramics Fund	7,000	5,125
Mary Lou Welch Endowed Scholarship	10,526	10,182
Val Chao Wu Theater Fund	50,000	50,302
Total Permanently Restricted Net Assets	\$ 3,808,011	\$ 3,911,941

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Foundation receives financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Foundation. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Foundation at December 31, 2017 and 2016.

NOTE 12 - SPLIT-INTEREST AGREEMENT

The Foundation is the remainder beneficiary under the terms of two irrevocable charitable remainder trusts that are administered by a third party trustee (the Community College League of California). The beneficial interest from the remainder trust is recorded in the statement of financial position based on the present value of the future benefits expected to be received from the trusts. A corresponding amount is reflected in the statement of activities as a temporarily restricted contribution in the year the Foundation was notified of its irrevocable interest. At the end of the trust's terms, the remaining assets are available to the Foundation. Assets held in the charitable remainder trusts totaled \$5,551 and \$7,015 at December 31, 2017 and 2016, respectively, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Foundation provides various levels of monetary support and service to the Monterey Peninsula Community College District. The Foundation received \$12,500 and \$100,000 from Monterey Peninsula College for reimbursement of expenses for the years ended December 31, 2017 and 2016, respectively. This money is included on the statements of activities under public support and revenue from Monterey Peninsula College. As of February 15, 2017, the Master Agreement with the District was revised thus ending the monetary support provided by the District. The District provides office space and other support to the Foundation. These amounts are not recognized in the statements of activities as there is no basis for the noncash contributions.

NOTE 14 - RETIREMENT PLAN

Effective January 1, 2017, the Foundation adopted the Monterey Peninsula College Foundation 401(k) Profit Sharing Plan and Trust (the Plan) in accordance with Internal Revenue Code Section 401(k). The Plan is available to all eligible employees over the age of 16. The Plan allows for elective employee deductions, as well as Employer Profit Sharing Contributions under a Pro Rata Formula. Under this formula, each Qualifying Participant's Individual Account will receive a pro rata allocation. This allocation is based on the Qualifying Participant's Compensation in relation to the total Compensation of all Qualifying Participants. Profit sharing contributions become 100% vested after 1 year. The Foundation made contributions of \$12,259 during the year ended December 31, 2017.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - TRANSFERS BETWEEN FUNDS

During the year ended December 31, 2017, Foundation management reviewed the original donor documentation for certain endowment funds held in the permanently restricted and temporarily restricted net assets. The review of the documentation revealed that the donor intent for certain earnings and contributions were not properly classified in the Foundation's accounts. As such, the Foundation has reclassified the endowment balances into the appropriate net asset class. During the year ended December 31, 2016, certain amounts presented in the prior year data was reclassified in order to be consistent with the current year's presentation.

NOTE 16 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions from December 31, 2017, through May 14, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Monterey Peninsula College Foundation
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Monterey Peninsula College Foundation (a California nonprofit corporation) (the Foundation), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
May 14, 2018