MONTEREY PENINSULA COLLEGE FOUNDATION

(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018 AND 2017

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

DECEMBER 31, 2018 AND 2017

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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 (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, 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. 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.

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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, 2018 and 2017, 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
June 4, 2019

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 520,015	$ 752,108
Investments	6,476,487	5,944,382
Accounts receivable	4,672	-
Unconditional promises to give	39,565	31,646
Prepaid expenses and other assets	2,780	5,998
Total Current Assets	7,043,519	6,734,134
Noncurrent Assets		
Beneficial interest in assets held by the Foundation for CA Community Colleges	339,728	339,728
Investment related to split-interest agreement in remainder trust	5,138	5,551
Unconditional promises to give - long-term portion - net	19,021	9,670
Capital assets (net of accumulated depreciation)	5,108	4,596
Total Noncurrent Assets	368,995	359,545
Total Assets	$ 7,412,514	$ 7,093,679
LIABILITIES		
Accounts payable and other current liabilities	$ 11,731	$ -
Payroll liability	4,188	4,178
Funds held for others	1,175,811	1,265,883
Total Liabilities	1,191,730	1,270,061
NET ASSETS		
Without donor restrictions		
Undesignated	197,216	316,859
Board designated	241,185	200,030
Total without donor restrictions	438,401	516,889
With donor restrictions	5,782,383	5,306,729
Total Net Assets	6,220,784	5,823,618
Total Liabilities and Net Assets	$ 7,412,514	$ 7,093,679

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,

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	$ 167,112	$ 1,488,827	$ 1,655,939
First 5 Grant	-	-	-
Monterey Peninsula College	-	-	-
Special events	298,370	26,355	324,725
Other income	68,062	-	68,062
Assets released from restrictions	602,318	(602,318)	-
Total Public Support and Revenues	1,135,862	912,864	2,048,726
EXPENSES			
Program	726,718	-	726,718
Operating	255,326	-	255,326
Fundraising	204,927	-	204,927
Total Expenses	1,186,971	-	1,186,971
OTHER INCOME (EXPENSE)			
Interest and dividends	17,411	151,572	168,983
Unrealized gain (loss) on investments	(44,790)	(588,369)	(633,159)
Change in value of split-interest agreement	-	(413)	(413)
Total Other Income (Expense)	(27,379)	(437,210)	(464,589)
CHANGE IN NET ASSETS	(78,488)	475,654	397,166
NET ASSETS, BEGINNING OF YEAR	516,889	5,306,729	5,823,618
NET ASSETS, END OF YEAR	$ 438,401	$ 5,782,383	$ 6,220,784

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

2017		
Without Donor Restrictions	With Donor Restrictions	Total
$ 204,242	$ 1,065,294	$ 1,269,536
97,750	-	97,750
12,500	-	12,500
295,377	24,292	319,669
70,302	-	70,302
901,474	(901,474)	-
1,581,645	188,112	1,769,757
1,014,617	-	1,014,617
250,948	-	250,948
198,367	-	198,367
1,463,932	-	1,463,932
16,098	128,225	144,323
41,856	437,129	478,985
-	(1,464)	(1,464)
57,954	563,890	621,844
175,667	752,002	927,669
341,222	4,554,727	4,895,949
$ 516,889	$ 5,306,729	$ 5,823,618

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 397,166	$ 927,669
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	1,288	1,171
Unrealized (gain) loss on investments	633,159	(478,985)
Contributions with donor restrictions	(1,488,827)	(1,065,294)
Changes in Assets and Liabilities		
Accounts receivable	(4,672)	-
Unconditional promises to give	(17,270)	62,275
Prepaid expenses and other assets	3,218	56
Split-interest agreement in remainder trust	413	1,464
Accounts payable and other current liabilities	11,741	(15,995)
Funds held for others	(90,072)	92,121
Net Cash Flows From Operating Activities	(553,856)	(475,518)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	(1,165,264)	(339,996)
Purchase of fixed assets	(1,800)	(2,604)
Net Cash Flows From Investing Activities	(1,167,064)	(342,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with donor restrictions	1,488,827	1,065,294
NET CHANGE IN CASH AND CASH EQUIVALENTS	(232,093)	247,176
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	752,108	504,932
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 520,015	$ 752,108

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,

	2018			
	Program	Operating	Fundraising	Total
Scholarships, Internships, and Student Support	$ 280,269	$ -	$ -	$ 280,269
Textbook Assistance	4,332	-	-	4,332
Student Emergency Assistance	17,326	-	-	17,326
Faculty and Staff Support	45,565	-	-	45,565
MPC Campus and Program Support	161,936	-	-	161,936
Events	1,932	44,875	73,497	120,304
Public Relations	-	-	61,913	61,913
Accounting and Professional Services	-	19,200	-	19,200
Banking and Investment Fees	66,934	3,186	-	70,120
Foundation Salaries and Benefits	148,424	149,103	59,388	356,915
Office and Administrative Expenses	-	38,962	10,129	49,091
Total Expenses	$ 726,718	$ 255,326	$ 204,927	$ 1,186,971

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

2017			
Program	Operating	Fundraising	Total
$ 377,885	$ -	$ -	$ 377,885
31,300	-	-	31,300
7,987	-	-	7,987
31,178	-	-	31,178
427,875	-	-	427,875
1,636	45,975	58,330	105,941
-	-	11,592	11,592
-	21,890	-	21,890
58,157	12,069	-	70,226
77,428	130,610	104,379	312,417
1,171	40,404	24,066	65,641
$ 1,014,617	$ 250,948	$ 198,367	$ 1,463,932

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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 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.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The FASB has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. In addition, the Foundation's Board has also designated various balances of net assets without donor restrictions for certain uses, as described in Note 10.
>
> *Net Assets With Donor Restrictions* - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. 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, either without or with restrictions. Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

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, 2018 and 2017, $0 and $268,768, respectively, were uninsured.

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.

Pledges Receivable

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 present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates, based on Management's assumptions. Amortization of the discounts is included in contribution revenue. Management monitors the collectability of their pledges and annually adjusts the balances, as needed.

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, including Board members, 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.

While the College has provided office space and staff assistance to the Foundation, the market value of this donation has not been reflected on these financial statements as an in-kind donation as a method of allocating these costs has not been determined.

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.

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.

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, 2015, 2016, and 2017, are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2014, 2015, 2016, and 2017, 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. The costs have been allocated to the functional categories based upon management's assumptions.

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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted). The Foundation has implemented the provisions of this ASU as of December 31, 2018.

The Foundation has implemented the provisions of this ASU as of December 31, 2018.

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Although the full impact of this Update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the Update apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	2018	2017
Board-Designated Operating Reserve	$ 200,000	$ 200,000
Other cash and cash equivalents	44,441	194,238
Unrestricted receivables and unconditional promises to give, current	34,237	20,746
Investments	167,754	324,393
	$ 446,432	$ 739,377

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains a Board-Designated Operating Reserve Fund (the Fund). The Fund is equal to at least three months of average operating costs, and is available in cash or cash equivalent funds. Foundation staff monitor cash balances and anticipated cash flows, and are poised to liquidate invested assets as appropriate. The Foundation's investment policy further supports ready cash access with a five to ten percent allocation target for cash within invested funds.

NOTE 3 - 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, 2018 and 2017, 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, 2018 and 2017, amounted to $0 and $0, respectively.

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

	2018	2017
Unconditional promises to give before unamortized discount and allowance for doubtful accounts	$ 59,565	$ 41,646
Less: Unamortized discount	(979)	(330)
Net Unconditional Promises to Give	$ 58,586	$ 41,316
Amounts due in:		
Less than one year	$ 39,565	$ 31,646
One to five years	20,000	10,000
Less: Unamortized discount	(979)	(330)
Subtotal long-term portion of unconditional promises to give	19,021	9,670
Total	$ 58,586	$ 41,316

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

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, 2018 and 2017, the College and its donors have contributed $339,728 from the amounts held for others accounts that reside in the Foundation. As of December 31, 2018 and 2017, the ending balance of the Osher Endowment Scholarship was $339,728. 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.

NOTE 5 - INVESTMENTS

Investments are stated at fair value and are summarized as of December 31, 2018:

	Adjusted Cost	Fair Value	Unrealized Loss
Equity, Bonds, and Mutual Funds - Foundation	$ 7,109,646	$ 6,476,487	$ (633,159)
Beneficiary Remainder Trust	5,138	5,138	-
Beneficial interest in assets held by the Foundation for CA Community Colleges	339,728	339,728	-
Total	$ 7,454,512	$ 6,821,353	$ (633,159)

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	$ 5,465,397	$ 5,944,382	$ 478,985
Beneficiary Remainder Trust	5,551	5,551	-
Beneficial interest in assets held by the Foundation for CA Community Colleges	339,728	339,728	-
Total	$ 5,810,676	$ 6,289,661	$ 478,985

Net investment income (loss) consisted of the following at December 31,:

	2018	2017
Interest and dividends	$ 168,983	$ 144,323
Unrealized gain (loss) on investments	(633,159)	478,985
Investment fees	(26,813)	(23,292)
Total Investment Income (Loss), Net	$ (490,989)	$ 600,016

NOTE 6 - 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, 2018:

	Level I	Level III	Total
Investment Assets			
Equity, Bonds, and Mutual Funds	$ 6,476,487	$ -	$ 6,476,487
Beneficiary Remainder Trust	-	5,138	5,138
Beneficial interest in assets held by the Foundation for CA Community Colleges	339,728	-	339,728
Other Assets			
Unconditional promises to give, net	-	58,586	58,586
Total	$ 6,816,215	$ 63,724	$ 6,879,939

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:

	Level I	Level III	Total
Investment Assets			
Equity, Bonds, and Mutual Funds	$ 5,944,382	$ -	$ 5,944,382
Beneficiary Remainder Trust	-	5,551	5,551
Beneficial interest in assets held by the Foundation for CA Community Colleges	339,728	-	339,728
Other Assets			
Unconditional promises to give, net	-	41,316	41,316
Total	$ 6,284,110	$ 46,867	$ 6,330,977

The following table summarizes the changes in the Foundation's investment assets measured at fair value on a recurring basis as of December 31, 2018:

	Level III
Investments at Fair Value	
Balance at December 31, 2017	$ 46,867
Current Year Adjustments:	
Adjustment to reflect changes in beneficiary remainder trust	(413)
Unconditional promises to give	17,270
Balance at December 31, 2018	$ 63,724

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

NOTE 7 - FUNDS HELD FOR OTHERS

The Foundation acts as a fiscal agent for departments, organizations, and groups of Monterey Peninsula College. Accordingly, at December 31, 2018 and 2017, $1,175,811 and $1,265,883, 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.

	2018			
	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	$ 388,732	$ 11,111	$ 48,916	$ 350,927
Orr Scholarship Trust	97,372	2,783	12,253	87,902
MPC Scholarship Endowments	229,244	6,552	28,847	206,949
Long-Term Endowments	210,807	6,025	26,527	190,305
Osher Endowment Fund	339,728	-	-	339,728
Total	$ 1,265,883	$ 26,471	$ 116,543	$ 1,175,811

	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

NOTE 8 - CAPITAL ASSETS

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

	2018	2017
Furniture and equipment	$ 15,400	$ 13,600
Less: Accumulated depreciation	(10,292)	(9,004)
Total	$ 5,108	$ 4,596

Depreciation expenses for the years ended December 31, 2018 and 2017, were $1,288 and $1,171, respectively.

NOTE 9 - DONOR DESIGNATED ENDOWMENT FUNDS

The Foundation's endowment funds consist of individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowments are classified and reported based on existence of donor-imposed restrictions as either without donor restrictions or with donor restrictions.

The Board of Directors 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 retains in perpetuity (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 held in perpetuity is classified as net assets with donor restrictions 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,:

	2018	2017
	With Donor Restrictions	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 4,724,466	$ 4,427,684

Changes in endowment net assets as of December 31, 2018, are as follows:

	With Donor Restrictions
Balance at December 31, 2017	$ 4,427,684
Contributions	1,047,991
Interest and dividends	138,086
Unrealized loss on investments	(533,371)
Transfer out	(156,300)
Amounts appropriated for expenditures	(199,624)
Balance at December 31, 2018	$ 4,724,466

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

	With Donor Restrictions
Balance at December 31, 2016	$ 3,911,941
Contributions	64,227
Transfer in	451,516
Balance at December 31, 2017	$ 4,427,684

NOTE 10 - BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions that have been board designated consist of the following at December 31,:

	2018	2017
General Reserve	$ 200,000	$ 200,000
Marketing	40,000	-
Board of Directors Designated Campus Support	899	1,200
FASA Grants	286	(1,170)
Total Board Designated Net Assets	$ 241,185	$ 200,030

NOTE 11 - RESTRICTIONS ON NET ASSET BALANCES

Donor restricted net assets with time and/or purpose restrictions consist of the following at December 31,:

	2018	2017
Scholarships and Internships	$ 258,670	$ 51,043
Textbook Assistance	4,711	993
College Incentive Program	264,196	232,052
Emergency Assistance	72,700	70,666
Faculty and Staff Support	149,870	169,974
Athletics and Booster Club	70,201	66,786
Beneficiary Trust	5,138	5,551
Child Development Center	26,743	26,743
MPCF Strategic Planning Implementation	137,238	182,306
Other MPC Departments and Programs	68,450	72,931
Spendable Balance of Endowments	24,465	619,673
Total Donor Restricted Net Assets	$ 1,082,382	$ 1,498,718

Donor restricted net assets with perpetual restrictions consist of the following at December 31,:

	2018	2017
Midori Arima Scholarship Fund	$ 25,000	$ 25,000
Balestreri Family Scholarship Fund	10,247	10,247
Dr. Peggy Downs-Baskin Faculty Advancement Endowment	267,749	267,749
Mrs. Barbara Bucquet Endowed Scholarship	20,000	-
Robert K. Bullock Journalism Scholarship Endowment	2,234,610	2,230,310
Chevron FASA Award Fund	47,500	47,500
Peter J. Cutino Athlete of the Year Endowment	39,045	35,045
Donald L. Davidson, M.D. Memorial Scholarship Endowment	17,920	17,920
Jennifer Denmark Memorial Scholarship Endowment	13,939	13,789
Doolittle Performing Arts Fund	35,000	25,000
Oscar Dunn and Alexandra Clark Scholarship Fund	1,000,000	-
Alison Faul Memorial Scholarship Endowment	15,870	15,870
George J. Faul Academic Excellence Endowment	100,000	100,000
Dr. Douglas Garrison Fund for Education Excellence	27,850	24,350
Bruce C. Gregor Memorial Scholarship Endowment	15,725	15,685
Marilynn Dunn Gustafson Scholarship Endowment	13,085	12,585
Rosabelle Hamann Memorial Scholarship Fund	330,727	330,727
Dr. Richard Kezirian Endowed Scholarship	69,527	65,477
Jon M. Lefstad Scholarship Endowment	10,000	10,000
John and Jeanne Logan Memorial Award Endowment	25,590	25,590
John Mahoney Scholarship Fund	-	18,000
Donald and Laura Newmark Scholarship Endowment	52,500	51,500
Rod Oka Scholarship Fund	19,910	14,860
Operating Reserve Endowment	129,138	129,138
William M. Shanner Memorial Award Endowment	32,083	32,083
Clyn Smith, M.D. Memorial Scholarship Endowment	20,150	20,150
Dorothy D. Stevens Memorial Fund	-	142,600
Leon and Mary Lou Stutzman Choral Music Scholarship Endowment	12,084	12,084
Mary Lou Stutzman Nursing Scholarship Endowment	16,263	16,263
Dr. Winona Trason Scholarship Fund	10,000	10,000
Jim Tunney Scholar Athlete Award	20,963	20,963
Martha Mulford Ceramics Fund	7,000	7,000
Mary Lou Welch Endowed Scholarship	10,526	10,526
Val Chao Wu Theater Fund	50,000	50,000
Total Donor Restricted Net Assets	$ 4,700,001	$ 3,808,011

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 contribution with donor restrictions 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 $5,138 and $5,551 at December 31, 2018 and 2017, 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 District. The Foundation received $0 and $12,500 from Monterey Peninsula College for reimbursement of expenses for the years ended December 31, 2018 and 2017, 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 percent vested after 1 year. The Foundation made contributions of $12,508 and $12,259 during the years ended December 31, 2018 and 2017, respectively.

NOTE 15 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions from December 31, 2018, through June 4, 2019, 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.