Financial Statements
December 31, 2019

Monterey Peninsula College Foundation
(A California Nonprofit Corporation)

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Independent Auditor's Report

The 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 statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows 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.

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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, 2019, 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.

Correction of Error
As discussed in Note 15 to the financial statements, certain errors resulting in incorrect classification of net asset restrictions previously reported as of December 31, 2018, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for beginning net assets have been restated in the 2018 financial statements now presented, and an adjustment has been made to net asset restrictions as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Eide Bailly LLP

Rancho Cucamonga, California
June 12, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 788,793
Investments	7,705,851
Unconditional promises to give	44,999
Prepaid expenses and other assets	6,255
Total current assets	8,545,898
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	421,236
Investment related to split-interest agreement in remainder trust	4,216
Unconditional promises to give - net	9,670
Capital assets (net of accumulated depreciation)	6,676
Total noncurrent assets	441,798
Total assets	$ 8,987,696
Liabilities	
Current Liabilities	
Accounts payable and other current liabilities	$ 14,438
Payroll liability	9,176
Funds held for others	956,995
Total Liabilities	980,609
Net Assets	
Without donor restrictions	
Undesignated	248,573
Board designated	233,725
Total without donor restrictions	482,298
With donor restrictions	7,524,789
Total net assets	8,007,087
Total liabilities and net assets	$ 8,987,696

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions	$ 189,334	$ 1,639,291	$ 1,828,625
In-kind contributions	26,000	200	26,200
Special events	186,800	18,075	204,875
Other income	105,574	-	105,574
Assets released from restrictions	1,320,591	(1,320,591)	-
Total public support and revenues	1,828,299	336,975	2,165,274
Expenses			
Program	1,444,662	-	1,444,662
Management and general	254,667	-	254,667
Fundraising	164,969	-	164,969
Total expenses	1,864,298	-	1,864,298
Other Income			
Interest and dividends, net of fees	17,621	137,805	155,426
Realized gain on investments	62,275	746,825	809,100
Unrealized gain on investments	-	80,587	80,587
Change in value of split-interest agreement	-	(922)	(922)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	71,738	71,738
Total other income	79,896	1,036,033	1,115,929
Change in net assets	43,897	1,373,008	1,416,905
Net Assets, Beginning of Year, Restated	438,401	6,151,781	6,590,182
Net assets, End of Year	$ 482,298	$ 7,524,789	$ 8,007,087

	Program	Management and General	Fundraising	Total
Scholarships, Internships, and Student Support	$ 359,806	$ -	$ -	$ 359,806
Textbook Assistance	2,823	-	-	2,823
Student Emergency Assistance	19,014	-	-	19,014
Faculty and Staff Support	33,653	-	-	33,653
MPC Campus and Program Support	817,022	-	-	817,022
Events	2,916	33,972	55,061	91,949
In-kind	-	9,000	17,200	26,200
Public Relations	-	-	19,169	19,169
Accounting and Professional Services	-	17,150	-	17,150
Banking and Investment Fees	52,673	8,820	-	61,493
Foundation Salaries and Benefits	156,755	154,652	63,449	374,856
Office and Administrative Expenses	-	31,073	10,090	41,163
Total Expenses	$ 1,444,662	$ 254,667	$ 164,969	$ 1,864,298

Cash Flows from Operating Activities	
Change in net assets	$ 1,416,905
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	1,784
Realized gain on investments	(809,100)
Unrealized gain on investments	(80,587)
Contributions restricted for long-term purposes	(556,107)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	19,900
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(71,738)
Changes in operating assets and liabilities	
Accounts receivable	4,672
Unconditional promises to give	3,917
Prepaid expenses and other assets	(3,475)
Split-interest agreement in remainder trust	922
Accounts payable and other current liabilities	7,695
Funds held for others	120,912
Net cash flows from operating activities	55,700
Cash Flows from Investing Activities	
Purchase of investments	(6,672,015)
Proceeds from sales of investments	6,332,338
Purchase of fixed assets	(3,352)
Net cash flows from investing activities	(343,029)
Cash Flows from Financing Activities	
Contributions restricted for long-term purposes	556,107
Net Change in Cash and Cash Equivalents	268,778
Cash and Cash Equivalents, Beginning of Year	520,015
Cash and Cash Equivalents, End of Year	$ 788,793

Note 1 - Organization and 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.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. 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 financially 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.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or grantor) restrictions. 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 subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

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. The 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. The Foundation records special events revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is made. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows consist of cash held in checking and money market accounts with original maturities of less than 90 days. The Foundation maintains its bank accounts at three financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to $250,000. As of December 31, 2019, the Foundation's deposits were fully insured.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management has determined all amounts to be collectable.

Beneficial Interest in Assets held by Community Foundation

During 2008, the Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Osher Endowment Scholarship program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

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. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2019.

Donated Services and Goods

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

While the District 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.

Advertising Costs

Advertising costs are expensed as incurred and approximated $19,169 during the year ended December 31, 2019.

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. 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 for the year ended December 31, 2019.

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, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2015, 2016, 2017, and 2018, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort studies.

Recently Adopted Accounting Standard

As of January 1, 2019, the Foundation adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Foundation has adopted Topic 606 using the full retrospective approach. The adoption of this standard had no significant effect on the December 31, 2018 financial statements.

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 accounting principles generally accepted in the United States of America (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:

Board-Designated Operating Reserve	$ 200,000
Unrestricted receivables and unconditional promises to give, current	24,999
Investments	234,096
	$ 459,095

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 fund.

Note 3 - Unconditional Promises to Give

The Foundation's unconditional promises to give consisted of the following at December 31, 2019:

Unconditional promises to give before unamortized discount and allowance for doubtful accounts	$	54,999
Less: Unamortized discount		(330)
Net unconditional promises to give	$	54,669
Amounts due in:		
Less than one year	$	44,999
One to five years		10,000
Less: Unamortized discount		(330)
Subtotal long-term portion of unconditional promises to give		9,670
Total	$	54,669

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.41 percent for the year ending December 31, 2019.

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, the District and its donors have contributed $339,728 from the amounts held for others accounts that reside in the Foundation. As of December 31, 2019, the ending balance of the Osher Endowment Scholarship was $421,236. The Foundation 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, 2019:

	Adjusted Cost	Fair Value	Unrealized Gain
Equity, Bonds, and Mutual Funds	$ 7,625,264	$ 7,705,851	$ 80,587
Beneficiary Remainder Trust	4,216	4,216	-
Beneficial interest in assets held by the Foundation for California Community Colleges	421,236	421,236	-
Total	$ 8,050,716	$ 8,131,303	$ 80,587

Net investment income consisted of the following at December 31, 2019:

Interest and dividends	$ 179,286
Realized gain on investments	809,100
Unrealized gain on investments	80,587
Investment fees	(23,860)
Total investment income, net	$ 1,045,113

Note 6 - Assets and Liabilities Recorded at Fair Value on A Recurring Basis

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

Level II - Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level III - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair values of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The following table provides a summary of the financial instruments the Foundation measures at fair value on a recurring basis as of December 31, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2019.

	Level I	Level II	Level III	Total
Investment Assets				
Equity, Bonds, and Mutual Funds	$ 7,705,851	$ -	$ -	$ 7,705,851
Beneficiary Remainder Trust	-	-	4,216	4,216
Beneficial interest in assets held by the Foundation for California Community Colleges	-	-	421,236	421,236
Other Assets				
Unconditional promises to give, net	-	-	54,669	54,669
Total	$ 7,705,851	$ -	$ 480,121	$ 8,185,972

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2019:

	Benificiary Remainder Trust	Beneficial By the FCCC	Unconditional Promises to Give, net	Total
Balance at December 31, 2018	$ 5,138	$ 369,398	$ 58,586	$ 433,122
Investment return, net	-	71,738	-	71,738
Distributions	-	(19,900)	-	(19,900)
Adjustment to reflect changes in beneficiary remainder trust	(922)	-	-	(922)
Contributions of unconditional promises to give	-	-	550,937	550,937
Collections of unconditional promises to give	-	-	(554,854)	(554,854)
Balance at December 31, 2019	$ 4,216	$ 421,236	$ 54,669	$ 480,121

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

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, 2019, $956,995 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.

	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	$ 350,927	$ 80,276	$ 32,241	$ 398,962
Orr Scholarship Trust	87,902	20,305	5,260	102,947
MPC Scholarship Endowments	206,949	47,804	12,385	242,368
Long-Term Endowments	190,305	43,296	20,883	212,718
Total	$ 836,083	$ 191,681	$ 70,769	$ 956,995

Note 8 - Capital Assets

The following is a summary of capital assets as of December 31, 2019:

Furniture and equipment	$ 18,752
Less: Accumulated depreciation	(12,076)
Total	$ 6,676

Depreciation expense for the year ended December 31, 2019 was $1,784.

Note 9 - Donor Designated Endowment Funds

The Foundation's endowment funds (the Endowment) consist of approximately 35 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors has adopted 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. At December 31, 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulation to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset compositions by type of fund are as follows as of December 31, 2019:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 5,668,330
Accumulated investment gains	711,587
	$ 6,379,917

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. 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.

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.

Changes in endowment net assets as of December 31, 2019, are as follows:

	With Donor Restrictions
Balance at December 31, 2018	$ 5,093,864
Contributions	556,107
Interest and dividends, net	125,712
Realized gain on investments	516,789
Unrealized gain on investments	293,668
Amounts appropriated for expenditures	(206,223)
Balance at December 31, 2019	$ 6,379,917

Note 10 - Board Designated Net Assets

Net assets without donor restrictions that have been board designated consist of the following at December 31, 2019:

General Reserve	$ 200,000
Marketing	25,828
Board of Directors Designated Campus Support	597
FASA Grants	7,300
Total board designated net assets	$ 233,725

Note 11 - Restrictions on Net Asset Balances

Donor restricted net assets with time and/or purpose restrictions consist of the following at December 31, 2019:

Scholarships and Internships	$ 903,763
Textbook Assistance	8,138
College Incentive Program	264,669
Emergency Assistance	77,608
Faculty and Staff Support	294,432
Athletics and Booster Club	66,168
Beneficiary Trust	4,216
Child Development Center	25,843
MPCF Strategic Planning Implementation	105,912
Other MPC Departments and Programs	64,737
Foundation Operations	40,973
Total donor restricted net assets with time and/or purpose restrictions	$ 1,856,459

Donor restricted net assets with perpetual restrictions consist of the following at December 31, 2019:

Midori Arima Scholarship Fund	$ 25,000
Balestreri Family Scholarship Fund	10,247
Dr. Peggy Downs-Baskin Faculty Advancement Endowment	267,749
Mrs. Barbara Bucquet Endowed Scholarship	20,000
Robert K. Bullock Journalism Scholarship Endowment	2,234,610
Chevron FASA Award Fund	47,500
Peter J. Cutino Athlete of the Year Endowment	42,545
Donald L. Davidson, M.D. Memorial Scholarship Endowment	17,920
Jennifer Denmark Memorial Scholarship Endowment	13,939
Doolittle Performing Arts Fund	40,000
Oscar Dunn and Alexandra Clark Scholarship Fund	1,000,000
Alison Faul Memorial Scholarship Endowment	15,870
George J. Faul Academic Excellence Endowment	100,000
Dr. Douglas Garrison Fund for Education Excellence	28,850
Bruce C. Gregor Memorial Scholarship Endowment	15,765
Marilynn Dunn Gustafson Scholarship Endowment	14,085
Rosabelle Hamann Memorial Scholarship Fund	330,727
Dr. Richard Kezirian Endowed Scholarship	71,777
Jon M. Lefstad Scholarship Endowment	10,000
John and Jeanne Logan Memorial Award Endowment	25,590
Donald and Laura Newmark Scholarship Endowment	53,000
Rod Oka Scholarship Fund	19,910
Coach Luke Phillips Scholarship Fund	6,865
Peter Pilat Scholarship & Materials Fund	525,938
Operating Reserve Endowment	129,138
William M. Shanner Memorial Award Endowment	32,083
Clyn Smith, M.D. Memorial Scholarship Endowment	20,150
Leon and Mary Lou Stutzman Choral Music Scholarship Endowment	12,084
Mary Lou Stutzman Nursing Scholarship Endowment	16,263
Dr. Winona Trason Scholarship Fund	10,000
Jim Tunney Scholar Athlete Award	20,963
Martha Mulford Ceramics Fund	8,000
Mary Lou Welch Endowed Scholarship	10,526
Val Chao Wu Theater Fund	50,000
Osher Scholarship Fund	421,236
Total donor restricted net assets with perpetual restrictions	$ 5,668,330

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). These trusts were created independently by donors and are administered by outside agents designated by the donors. The Foundation has neither possession nor control over the assets of the trusts. The beneficial interest in charitable trusts held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. 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. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities. At the end of the trust's terms, the remaining assets are available to the Foundation. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released. Assets held in the charitable remainder trusts totaled $4,216 at December 31, 2019.

Note 13 - Related Party Transactions

The Foundation provides various levels of monetary support and service to 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 $13,375 during the year ended December 31, 2019.

Note 15 - Restatement

When reviewing the individual funds within the net assets, the Foundation became aware of funds being improperly classified. The balance was adjusted in the current year, restating the beginning net assets. The effect on the Foundation’s statement of activities as of December 31, 2018 is as follows:

	As Previoulsy Reported	Adjustment	As Restated
Net Assets, End of Year			
Net assets without donor restrictions	$ 438,401	$ -	$ 438,401
Net assets with donor restrictions	5,782,383	369,398	6,151,781

Note 16 - Subsequent Events

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.

Under the Paycheck Protection Program (PPP), the Foundation was granted a $76,777 loan on May 6, 2020, administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded this as a note payable and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. In the event that a portion of the loan is not forgiven, the Foundation will be required to repay any remaining balance in monthly payments including interest accrued at 1 percent.