



Financial Statements
December 31, 2021 and 2020

**Monterey Peninsula College Foundation
(A California Nonprofit Corporation)**

Monterey Peninsula College Foundation

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December 31, 2021 and 2020

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Independent Auditor's Report

The Board of Directors
Monterey Peninsula College Foundation
Monterey, California

Report on the Financial Statements

Opinion

We have audited the financial statements of Monterey Peninsula College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022, 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 and 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.

Eide Bailly LLP

Rancho Cucamonga, California
August 19, 2022

Monterey Peninsula Community College District
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,144,222	\$ 743,364
Investments	10,713,683	9,566,397
Accounts receivable	6,613	-
Unconditional promises to give	82,143	23,260
Prepaid expenses	2,755	6,880
Total current assets	11,949,416	10,339,901
Noncurrent assets		
Beneficial interest in assets held by the Foundation for California Community Colleges	480,305	447,249
Beneficial interest in remainder trust	13,411	13,847
Capital assets, net	3,428	4,892
Total noncurrent assets	497,144	465,988
Total assets	\$ 12,446,560	\$ 10,805,889
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	\$ 51,789	\$ 10,703
Payroll liability	15,432	18,455
Funds held for others	1,195,528	1,065,492
Total current liabilities	1,262,749	1,094,650
Long-term liabilities		
Refund advance - PPP Loan	-	76,777
Total liabilities	1,262,749	1,171,427
Net Assets		
Without donor restrictions		
Undesignated	968,938	639,052
Board designated	229,430	250,588
Total without donor restrictions	1,198,368	889,640
With donor restrictions	9,985,443	8,744,822
Total net assets	11,183,811	9,634,462
Total liabilities and net assets	\$ 12,446,560	\$ 10,805,889

Monterey Peninsula College Foundation

Statements of Activities

December 31, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Public Support and Revenues			
Contributions	\$ 342,726	\$ 957,244	\$ 1,299,970
Federal/State contracts and grants	-	548,874	548,874
In-kind contributions	12,033	-	12,033
Special events	41,235	-	41,235
Forgiveness of refundable advance - PPP Loan	157,927	-	157,927
Other income	142,529	-	142,529
Assets released from restrictions	1,333,903	(1,333,903)	-
Total public support and revenues	2,030,353	172,215	2,202,568
Expenses			
Program	1,413,771	-	1,413,771
Management and general	252,977	-	252,977
Fundraising	175,364	-	175,364
Total expenses	1,842,112	-	1,842,112
Other Income			
Net investment return, net of fees	120,487	1,016,186	1,136,673
Change in value of split-interest agreement	-	(436)	(436)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	52,656	52,656
Total other income	120,487	1,068,406	1,188,893
Change in Net Assets	308,728	1,240,621	1,549,349
Net Assets, Beginning of Year	889,640	8,744,822	9,634,462
Net Assets, End of Year	\$ 1,198,368	\$ 9,985,443	\$ 11,183,811

Monterey Peninsula College Foundation

Statements of Activities

December 31, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions	\$ 816,332	\$ 956,931	\$ 1,773,263
Federal/State contracts and grants	-	-	-
In-kind contributions	28,599	-	28,599
Special events	8,865	-	8,865
Forgiveness of refundable advance - PPP Loan	-	-	-
Other income	73,696	-	73,696
Assets released from restrictions	664,992	(664,992)	-
Total public support and revenues	1,592,484	291,939	1,884,423
Expenses			
Program	927,074	-	927,074
Management and general	288,739	-	288,739
Fundraising	107,801	-	107,801
Total expenses	1,323,614	-	1,323,614
Other Income			
Net investment return, net of fees	138,472	882,450	1,020,922
Change in value of split-interest agreement	-	(369)	(369)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	46,013	46,013
Total other income	138,472	928,094	1,066,566
Change in Net Assets	407,342	1,220,033	1,627,375
Net Assets, Beginning of Year	482,298	7,524,789	8,007,087
Net Assets, End of Year	\$ 889,640	\$ 8,744,822	\$ 9,634,462

Monterey Peninsula College Foundation

Statements of Functional Expenses

December 31, 2021 and 2020

	2021			
	Program	Management and General	Fundraising	Total
Scholarships, internships, and student support	\$ 508,937	\$ -	\$ -	\$ 508,937
Student emergency and textbook assistance	515,806	-	-	515,806
Faculty and staff support	6,030	-	-	6,030
MPC campus and program support	195,914	-	-	195,914
Events	-	2,878	38,357	41,235
In-kind	3,460	5,431	3,142	12,033
Advertising	-	-	18,589	18,589
Accounting and professional services	-	43,316	-	43,316
Banking and investment fees	63,664	8,264	-	71,928
Foundation salaries and benefits	119,960	188,298	108,942	417,200
Office and administrative expenses	-	3,326	6,334	9,660
Depreciation	-	1,464	-	1,464
Total expenses	<u>\$ 1,413,771</u>	<u>\$ 252,977</u>	<u>\$ 175,364</u>	<u>\$ 1,842,112</u>

Monterey Peninsula College Foundation

Statements of Functional Expenses

December 31, 2021 and 2020

	2020			Total
	Program	Management and General	Fundraising	
Scholarships, internships, and student support	\$ 380,409	\$ -	\$ -	\$ 380,409
Student emergency and textbook assistance	114,178	-	-	114,178
Faculty and staff support	9,330	-	-	9,330
MPC campus and program support	234,275	-	-	234,275
Events	-	4,103	1,000	5,103
In-kind	3,838	3,746	21,015	28,599
Advertising	-	-	16,668	16,668
Accounting and professional services	-	20,200	-	20,200
Banking and investment fees	51,516	6,620	-	58,136
Foundation salaries and benefits	133,528	210,457	54,047	398,032
Office and administrative expenses	-	41,829	15,071	56,900
Depreciation	-	1,784	-	1,784
Total expenses	<u>\$ 927,074</u>	<u>\$ 288,739</u>	<u>\$ 107,801</u>	<u>\$ 1,323,614</u>

Monterey Peninsula College Foundation

Statements of Cash Flows

Year Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	\$ 1,549,349	\$ 1,627,375
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,464	1,784
Realized loss (gain) on investments	(196,215)	99,956
Unrealized gain on investments	(707,032)	(978,414)
Contributions restricted for long-term purposes	(464,046)	(15,805)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	19,600	20,000
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(52,656)	(46,013)
Change in value of beneficial interest in remainder trust	436	(9,631)
Forgiveness of refundable advance - PPP Loan	(76,777)	-
Changes in operating assets and liabilities		
Accounts receivable	(6,613)	-
Unconditional promises to give	(58,883)	31,409
Prepaid expenses	4,125	(625)
Accounts payable and other current liabilities	38,063	5,544
Funds held for others	130,036	108,497
Refundable advance - PPP Loan	-	76,777
Net Cash Flows From Operating Activities	180,851	920,854
Investing Activities		
Purchase of investments	(1,856,562)	(2,206,076)
Proceeds from sales of investments	1,612,523	1,223,988
Net Cash Flows From Investing Activities	(244,039)	(982,088)
Financing Activities		
Contributions restricted for long-term purposes	464,046	15,805
Net Change in Cash and Cash Equivalents	400,858	(45,429)
Cash and Cash Equivalents, Beginning of Year	743,364	788,793
Cash and Cash Equivalents, End of Year	\$ 1,144,222	\$ 743,364

Note 1 - Organization and General

Organization

The Monterey Peninsula College Foundation (the Foundation) is organized as a nonprofit corporation under the laws of the State of California. The Foundation was incorporated in November 1994.

Purpose

The Foundation's 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.

Note 2 - Summary of Significant Accounting Policies

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.

The Foundation and the District are financially interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605 *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 imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions represents all resources over which the governing board has discretionary control for use in operating the Foundation. The Foundation's Board has designated, from net assets without donor restrictions, net assets for certain uses, as described in Note 11.

Net Assets with Donor Restrictions - Net assets that are contributions 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

The Foundation receives substantially all of its revenue from direct donations. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net realized gains and net unrealized gains on investments and other assets or liabilities are reported as increases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 substantially met.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days, which are neither held for nor restricted by donors for long-term purposes.

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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. The Foundation maintains investment balances with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to \$500,000.

Concentration of Risk

Financial instruments that subject the Foundation to credit risk consist primarily of deposits held by financial institutions. The Foundation maintains cash and investment balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. At December 31, 2021, the Foundation had cash deposits fully insured and \$10,463,683 uninsured investments. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

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 initially 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. The Foundation granted variance power 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 statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Beneficial Interest in Remainder Trust

The Foundation has been named as the remainder beneficiary under the terms of three irrevocable charitable remainder trusts that are administered by third party trustees (the Community College League of California and Friends Fiduciary). 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. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities and a 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. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, using a discount rate of 5%, with changes in fair value recognized in the statement 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 \$13,411 and \$13,847 at December 31, 2021 and 2020, respectively.

Capital Assets

The Foundation maintains an initial unit cost capitalization threshold of \$500. Capital assets are stated at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from three to seven years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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 years ended December 31, 2021 and 2020.

Donated Services and In-Kind Contributions

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.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$18,589 and \$16,668 during the years ended December 31, 2021 and 2020, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

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

Allocation of Functional Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements 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, including those received in kind, which are allocated on the basis of estimates of time and effort studies.

Subsequent Events

The Foundation has evaluated subsequent events through August 19, 2022, 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.

Note 3 - 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:

	2021	2020
Board-designated operating reserve	\$ 200,000	\$ 200,000
Unconditional promises to give, current	82,143	23,260
Cash and cash equivalents	345,096	290,201
Investments	131,838	9,246
	\$ 759,077	\$ 522,707

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 4 - Unconditional Promises to Give

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

	2021	2020
Unconditional promises to give before unamortized discount and allowance for doubtful accounts	\$ 82,143	\$ 23,260
Less: Unamortized discount	-	-
Net unconditional promises to give	\$ 82,143	\$ 23,260
Amounts due in:		
Less than one year	\$ 82,143	\$ 23,260

There were no unconditional promises to give due in more than one year for the years ending December 31, 2020 and 2021.

Note 5 - 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, 2021 and 2020, the ending balances of the Osher Endowment Scholarship were \$480,305 and \$447,249, respectively. 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 6 - Fair Value Measurements and Disclosures

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. 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.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table provides a summary of the financial instruments the Foundation measures at fair value on a recurring basis as of December 31, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2021.

	Level I	Level II	Level III	Total
Investment Assets				
Equity, bonds, and mutual funds	\$ 10,713,683	\$ -	\$ -	\$ 10,713,683
Beneficiary interest in remainder trust	-	-	13,411	13,411
Beneficial interest in assets held by the Foundation for California Community Colleges	-	-	480,305	480,305
Total	<u>\$ 10,713,683</u>	<u>\$ -</u>	<u>\$ 493,716</u>	<u>\$ 11,207,399</u>

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

Monterey Peninsula College Foundation

Notes to Financial Statements

December 31, 2021 and 2020

The following table provides a summary of the financial instruments the Foundation measures at fair value on a recurring basis as of December 31, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2020.

	Level I	Level II	Level III	Total
Investment Assets				
Equity, bonds, and mutual funds	\$ 9,566,397	\$ -	\$ -	\$ 9,566,397
Beneficiary interest in remainder trust	-	-	13,847	13,847
Beneficial interest in assets held by the Foundation for California Community Colleges	-	-	447,249	447,249
Total	<u>\$ 9,566,397</u>	<u>\$ -</u>	<u>\$ 461,096</u>	<u>\$ 10,027,493</u>

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, 2021 and 2020, respectively, \$1,195,528 and \$1,065,492 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.

	2021			
	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	\$ 444,193	\$ 86,793	\$ 32,583	\$ 498,403
Orr Scholarship Trust	114,618	22,396	8,407	128,607
MPC Scholarship Endowments	269,846	52,727	19,794	302,779
Long-Term Endowments	236,835	46,276	17,372	265,739
Total	<u>\$ 1,065,492</u>	<u>\$ 208,192</u>	<u>\$ 78,156</u>	<u>\$ 1,195,528</u>

	2020			
	Balance Beginning of Year	Cash Receipts and Transfers	Cash Disbursements/ Transfers	Balance End of Year
Wilder Nursing Trust	\$ 398,962	\$ 128,596	\$ 83,365	\$ 444,193
Orr Scholarship Trust	102,947	33,183	21,512	114,618
MPC Scholarship Endowments	242,368	78,122	50,644	269,846
Long-Term Endowments	212,718	68,565	44,448	236,835
Total	<u>\$ 956,995</u>	<u>\$ 308,466</u>	<u>\$ 199,969</u>	<u>\$ 1,065,492</u>

Note 8 - Capital Assets

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

	2021	2020
Furniture and equipment	\$ 18,752	\$ 18,752
Less: Accumulated depreciation	(15,324)	(13,860)
Total	\$ 3,428	\$ 4,892

Depreciation expenses for the years ended December 31, 2021 and 2020 were \$1,464 and \$1,784, respectively.

Note 9 - Paycheck Protection Program (PPP) Loan

The Foundation was granted two loans in the amount of \$157,927 under the Paycheck Protection Program administered by a Small Business Administration (SBA) approved partner. The loans are uncollateralized and are fully guaranteed by the Federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$159,314 as contribution revenue for the year ended December 31, 2021, which includes \$1,387 of interest paid.

Note 10 - Endowment

The Foundation’s endowment (the Endowment) consist of approximately 40 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, 2021, 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 Foundation considers 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,:

	2021	2020
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 6,229,655	\$ 5,689,818
Accumulated investment gains	<u>1,856,575</u>	<u>1,265,953</u>
	<u>\$ 8,086,230</u>	<u>\$ 6,955,771</u>

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.

Monterey Peninsula College Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Changes in endowment net assets as of December 31, 2021, are as follows:

	<u>With Donor Restrictions</u>
Balance at December 31, 2020	\$ 6,955,771
Contributions	436,339
Net investment return, net of fees	916,402
Amounts appropriated for expenditures	<u>(222,282)</u>
Balance at December 31, 2021	<u>\$ 8,086,230</u>

Changes in endowment net assets as of December 31, 2020, are as follows:

	<u>With Donor Restrictions</u>
Balance at December 31, 2019	\$ 6,379,917
Contributions	16,240
Interest and dividends, net	769,921
Uncollectable promise to give written off	(20,000)
Amounts appropriated for expenditures	<u>(190,307)</u>
Balance at December 31, 2020	<u>\$ 6,955,771</u>

Note 11 - Board Designated Net Assets

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

	<u>2021</u>	<u>2020</u>
General Reserve	\$ 200,000	\$ 200,000
Marketing	13,800	35,844
Board of Directors Designated Campus Support	200	1,770
FASA Grants	<u>15,430</u>	<u>12,974</u>
Total board designated net assets	<u>\$ 229,430</u>	<u>\$ 250,588</u>

Monterey Peninsula College Foundation

Notes to Financial Statements

December 31, 2021 and 2020

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Subject to Expenditure for Specified Purpose and/or Passage of Time		
Scholarships and Internships	\$ 501,571	\$ 467,165
Textbook Assistance	12,111	13,242
College Incentive Program	273,004	258,806
Emergency Assistance	93,109	100,309
Faculty and Staff Support	232,692	207,924
Athletics and Booster Club	69,155	53,499
Beneficiary Trust	13,411	13,847
Child Development Center	25,843	25,843
MPCF Strategic Planning Implementation	62,393	101,370
Other MPC Departments and Programs	615,924	547,046
	<u>1,899,213</u>	<u>1,789,051</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Faculty and Staff Support	\$ 430,104	\$ 196,732
MPC Foundation Operations	83,372	60,258
Other MPC Departments and Programs	8,192	5,135
Scholarships and Internships	1,334,907	1,003,828
	<u>1,856,575</u>	<u>1,265,953</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Midori Arima Scholarship Fund	\$ 25,000	\$ 25,000
Ashton Family Scholarship Fund	10,000	-
Balestreri Family Scholarship Fund	10,247	10,247
Dr. Peggy Downs-Baskin Faculty Advancement Endowment	267,749	267,749
John Newman Becker Memorial Scholarship Fund	10,790	-
Mrs. Barbara Bucquet Endowed Scholarship	20,000	20,000
Robert K. Bullock Journalism Scholarship Endowment	2,234,610	2,234,610
Chevron FASA Award Fund	47,500	47,500
Peter J. Cutino Athlete of the Year Endowment	49,045	44,045
Donald L. Davidson, M.D. Memorial Scholarship Endowment	17,920	17,920
Jennifer Denmark Memorial Scholarship Endowment	14,439	13,939
Doolittle Performing Arts Fund	50,000	45,000
Oscar Dunn and Alexandra Clark Scholarship Fund	1,000,000	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	28,850	28,850

Monterey Peninsula College Foundation

Notes to Financial Statements

December 31, 2021 and 2020

	2021	2020
Dr. John M. Gonzalez Endowment Fund	\$ 10,000	\$ -
Bruce C. Gregor Memorial Scholarship Endowment	15,845	15,805
Marilynn Dunn Gustafson Scholarship Endowment	14,585	14,585
Rosabelle Hamann Memorial Scholarship Fund	330,727	330,727
Internship Endowment Fund	40,000	-
Dr. Richard Kezirian Endowed Scholarship	81,977	76,277
Jon M. Lefstad Scholarship Endowment	10,000	10,000
John and Jeanne Logan Memorial Award Endowment	25,590	25,590
Donald and Laura Newmark Scholarship Endowment	53,000	53,000
Rod Oka Scholarship Fund	24,910	19,910
Coach Luke Phillips Scholarship Fund	13,535	10,800
Peter Pilat Scholarship and Materials Fund	666,596	525,938
Peter Pilat FASA Materials Fund	140,658	-
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
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
Mackenzie Scholarship Fund	130,700	-
Martha Mulford Ceramics Fund	8,000	8,000
Mary Lou Welch Endowed Scholarship	10,526	10,526
Val Chao Wu Theater Fund	30,000	30,000
Osher Scholarship Fund	480,305	447,249
	<u>6,229,655</u>	<u>5,689,818</u>
Total endowments	<u>8,086,230</u>	<u>6,955,771</u>
Total net assets with donor restrictions	<u>\$ 9,985,443</u>	<u>\$ 8,744,822</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

	2021	2020
Restricted-purpose distributions and appropriations		
Special Event	\$ 37,907	\$ 3,877
Operating - General Administrative	70,479	78,179
Foundation Programs	1,216,517	572,934
Other Programs	9,000	10,002
	<u>\$ 1,333,903</u>	<u>\$ 664,992</u>

Note 13 - Related Party Transactions

The Foundation awards financial support for various programs and general support, along with grants and scholarships, to faculty and students of the Monterey Peninsula Community College District (the District). These transactions are recorded within the financial statements under program expenses.

The Executive Director's salary and benefits for the time that is spent on Foundation activities is donated by the District. Accordingly, \$12,033 is included as in-kind revenue. In addition, the District provides office space for employees who perform services for the Foundation. The fair market value of this donated office space is not determinable and is not recognized in the financial statements.

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 one year. The Foundation made contributions of \$18,307 and \$13,395 during the years ended December 31, 2021 and 2020, respectively.



**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 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 (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing 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 audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
August 19, 2022