

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

DECEMBER 31, 2006

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

DECEMBER 31, 2006

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Monterey Peninsula College Foundation
Monterey, California

We have reviewed the accompanying statement of financial position of Monterey Peninsula College Foundation (a nonprofit organization) as of December 31, 2006, and the related statement of activities, cash flows, and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Monterey Peninsula College Foundation.

A review consists principally of inquiries of Monterey Peninsula College Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP.

Rancho Cucamonga, California
August 28, 2009

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Current Assets

Cash and cash equivalents

 Unrestricted

\$ 283,798

 Restricted

457,305

Unconditional promises to give - current portion

60,891

Accounts receivable

1,546

Prepaid expenses

3,953

 Total Current Assets

807,493

Noncurrent Assets

Investments - restricted

2,419,410

Investment related to split-interest agreement in remainder trust

16,317

Unconditional promises to give - long-term portion

36,987

Capital assets (net of accumulated depreciation)

4,861

 Total Assets

\$ 3,285,068

LIABILITIES

Current Liabilities

Accounts payable and other current liabilities

\$ 8,219

Payroll liability

3,796

Amounts held for others

1,265,709

 Total Current Liabilities

1,277,724

NET ASSETS

Unrestricted

Undesignated

39,517

Board designated

245,530

 Total Undesignated

285,047

Temporarily restricted

1,199,864

Permanently restricted

522,433

 Total Net Assets

2,007,344

 Total Liabilities and Net Assets

\$ 3,285,068

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

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 66,882	\$ 448,672	\$ 62,166	\$ 577,720
Contribution from Monterey Peninsula College	100,000	-	-	100,000
Other income	22,523	30,128	-	52,651
Assets released from restrictions	138,153	(130,555)	(7,598)	-
Total Public Support and Revenues	<u>327,558</u>	<u>348,245</u>	<u>54,568</u>	<u>730,371</u>
EXPENSES				
Program expenses	138,154	-	-	138,154
Operating expenses	196,672	-	-	196,672
Total Expenses	<u>334,826</u>	<u>-</u>	<u>-</u>	<u>334,826</u>
OTHER INCOME (EXPENSE)				
Interest and dividends	(825)	27,305	6,010	32,490
Realized gain on sale of investment	30	-	-	30
Realized loss on sale of land	(75,000)	-	-	(75,000)
Unrealized gain (loss) on investments	(31,832)	91,324	28,835	88,327
Total Other Income (Expense)	<u>(107,627)</u>	<u>118,629</u>	<u>34,845</u>	<u>45,847</u>
TRANSFERS	<u>109,881</u>	<u>(74,598)</u>	<u>(35,283)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(5,014)</u>	<u>392,276</u>	<u>54,130</u>	<u>441,392</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>290,061</u>	<u>807,588</u>	<u>468,303</u>	<u>1,565,952</u>
NET ASSETS, END OF YEAR	<u>\$ 285,047</u>	<u>\$ 1,199,864</u>	<u>\$ 522,433</u>	<u>\$ 2,007,344</u>

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

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 441,392
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities	
Depreciation	1,581
Loss on sale of land	75,000
Contributions restricted for long-term purposes	(540,966)
Unrealized gain on investments	(88,327)
Changes in Assets and Liabilities	
Increase in accounts receivable	(1,546)
Decrease in unconditional promises to give	49,971
Increase in prepaid expenses	(3,953)
Increase in accounts payable and other current liabilities	11,671
Increase in amounts held for others	323,467
Net Cash Flows from Operating Activities	<u>268,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(885,266)
Sale of investments	65,973
Proceeds from sale of land	300,326
Increase in restricted cash and cash equivalents	(457,305)
Net Cash Flows from Investing Activities	<u>(976,272)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	540,966
Net Cash Flows from Financing Activities	<u>540,966</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(167,016)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>450,814</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 283,798</u></u>

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

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program</u>	<u>Operating</u>	<u>Total</u>
Salaries	\$ -	\$ 108,975	\$ 108,975
Employee benefits	-	16,815	16,815
Payroll taxes	-	10,863	10,863
Accounting and professional	2,500	35,865	38,365
Administrative fees	10,061	-	10,061
Advertising	6	-	6
Licenses and fees	15	95	110
Banking and investment fees	5,040	1,179	6,219
Insurance expenses	-	4,407	4,407
Grants/Scholarships/Disbursements	68,676	-	68,676
Depreciation	-	1,581	1,581
Dues and subscriptions	-	410	410
Postage	723	2,244	2,967
Printing	16,015	742	16,757
Property taxes	2,736	-	2,736
Public relations	10,511	350	10,861
Supplies	14,512	2,514	17,026
Training	2,106	4,543	6,649
Travel	-	784	784
Bad debt - pledge shrinkage	-	5,305	5,305
Miscellaneous	5,253	-	5,253
Total Expenses	<u>\$ 138,154</u>	<u>\$ 196,672</u>	<u>\$ 334,826</u>

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

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Monterey Peninsula College Foundation (the Foundation) is a nonprofit organization whose main purpose is to support education and educational purposes of Monterey Peninsula Community College District (the District), a California public community college located in Monterey, California, through raising funds and acquiring properties to support the District's programs of public education and its community programs. The Foundation was incorporated in the State of California in November 1994. The Foundation is a Voluntary Health and Welfare Organization as defined by Statement of Financial Accounting Standard (SFAS) No. 117.

Financial Statement Presentation

The Foundation presents its financial statements in accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows. As permitted by the statement, the Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

Support and Expenses

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

Investments

The Foundation presents its investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Equipment

The Foundation maintains an initial unit cost capitalization threshold of \$500. Equipment is 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 five years. Depreciation expense for the year ended December 31, 2006, was \$1,581.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Donated Services and Goods

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the value of the beneficial interest in a charitable remainder trust.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$100,000. At December 31, 2006, the amount in excess of Federal depository insurance coverage was approximately \$285,230.

Pledges Receivable

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

Management monitors the collectibility of their pledges and annually adjusts the balances. No allowance for doubtful accounts has been set up.

Income Taxes

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

Allocation of Functional Expenses

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

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Advertising Costs

Advertising costs are expensed as incurred. During the 2006 year, total advertising costs were \$6.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when received. Typically, pledges are recorded after being discounted to the anticipated net present value of the future cash flows. This amount was determined to be insignificant. Management monitors and reviews the uncollectible pledges on a monthly basis. Uncollectible pledges written off for the year ending December 31, 2006, were \$5,305.

As of December 31, 2006, the Foundation unconditional promises to give consisted of the following:

Due within 1 year	\$ 60,891
Due within 1 to 5 years	36,987
Total	\$ 97,878

NOTE 3 - INVESTMENTS

Investments are stated at fair value and are summarized as of December 31, 2006:

	Adjusted Cost	Fair Value	Unrealized Gain
Equity accounts	\$ 1,752,275	\$ 1,837,793	\$ 85,518
Fixed income	578,808	581,617	2,809
Total	\$ 2,331,083	\$ 2,419,410	\$ 88,327

The following schedule summarizes the investment return and its classifications in the statement of activities as of December 31, 2006:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ (825)	\$ 27,305	\$ 6,010	\$ 32,490
Unrealized gain (loss)	(31,832)	91,324	28,835	88,327
Total Investment Return	\$ (32,657)	\$ 118,629	\$ 34,845	\$ 120,817

NOTE 4 - AMOUNTS HELD FOR OTHERS

The Foundation acts as a fiscal agent for departments, organizations, and groups of Monterey Peninsula College. Accordingly, at December 31, 2006, \$1,265,709 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.

MONTEREY PENINSULA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets as of December 31, 2006:

Furniture and equipment	\$ 10,433
Leasehold improvements	2,657
Subtotal	13,090
Less: Accumulated depreciation	(8,229)
Total	\$ 4,861

NOTE 6 - RESTRICTIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at December 31, 2006:

Astronomy	\$ 13,302
Alison Faul Memorial Scholarship	18,793
Women Fund	44,565
Academic Excellence	10,386
Rosabelle Hamann Scholarship	408,517
MPC Library and Technology Center	219,793
P.E. Campaign	428,780
Child Development Center	71
Remainder Trust	16,317
Miscellaneous programs/scholarships	39,340
Total Temporarily Restricted Net Assets	\$ 1,199,864

Permanently restricted net assets consist of the following at December 31, 2006:

Operating Endowment	\$ 396,099
Shanner Memorial Award	10,000
Smith Scholarship	11,316
Stutzman Choral	10,000
Lefstad Scholarship	10,000
Cutino Scholarship	12,555
M.L. Stutzman Scholarship	12,463
Bruce Gregor Scholarship	10,000
G. Faul Academic Excellence Endowment	50,000
Total Permanently Restricted Net Assets	\$ 522,433

MONTEREY PENINSULA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 7 - SPLIT-INTEREST AGREEMENT

The Foundation is the remainder beneficiary under the terms of two irrevocable charitable remainder trusts that are administered by a third party trustee (The Community College League of California). The beneficial interest from the remainder trust is recorded in the statement of financial position based on the present value of the future benefits expected to be received from the trusts. A corresponding amount is reflected in the statement of activities as temporarily restricted contributions in the year the Foundation was notified of its irrevocable interest. At the end of the trust's terms, the remaining assets are available to the Foundation. Assets held in the charitable remainder trusts totaled \$16,317 at December 31, 2006, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Foundation provides various levels of monetary support and service to the Monterey Peninsula Community College District. The Foundation received \$100,000 from Monterey Peninsula College for reimbursement of expenses for the year ended December 31, 2006. This money is included on the statement of activities under other income. The District provides office space and other support to the Foundation. These amounts are not recognized in the statement of activities as there is no basis for the noncash contributions.

NOTE 9 - TRANSFERS BETWEEN FUNDS

During the year ended December 31, 2006, various transfers were done as follows: (1) management reviewed original donor instructions and determined some donations had been classified incorrectly, and (2) during the year, the scholarship interest earnings reached the benchmark amount and were transferred to temporarily restricted waiting to be allocated to scholarships.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

The beginning balance of net assets of the temporarily restricted fund as of December 31, 2005, has been restated. Management has reviewed and determined \$147,849 of pledged contributions were not properly recorded. As a result of this analysis, it has been determined that the beginning balance of net assets of the temporarily restricted fund had to be restated.

Temporarily Restricted Fund

Net assets - Beginning balance	\$ 955,437
Overstatement of pledged contributions	(147,849)
Net assets - Beginning, as restated	<u>\$ 807,588</u>