

**MONTEREY PENINSULA COLLEGE FOUNDATION**

**(A California Nonprofit Corporation)**

---

**ANNUAL FINANCIAL REPORT**

---

**DECEMBER 31, 2008**

**MONTEREY PENINSULA COLLEGE FOUNDATION  
(A California Nonprofit Corporation)**

**DECEMBER 31, 2008**

**TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Cash Flows.....	4
Statement of Functional Expenses.....	5
Notes to Financial Statements .....	6
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of State Awards .....	14
Note to Supplementary Information.....	15
<b>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</b> .....	16



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Monterey Peninsula College Foundation  
Monterey, California

We have audited the accompanying statement of financial position of the Monterey Peninsula College Foundation (a California nonprofit corporation) as of December 31, 2008, and the related statement of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Monterey Peninsula College Foundation's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monterey Peninsula College Foundation as of December 31, 2008, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2009, on our consideration of the Monterey Peninsula College 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Monterey Peninsula College Foundation taken as a whole. The supplementary information listed in the table of contents, including the Schedule of Expenditures of State Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
October 26, 2009

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**

ASSETS

Current Assets

Cash and cash equivalents	
Restricted	\$ 449,717
Unconditional promises to give - current portion	45,046
Accounts receivable	1,152
Prepaid expenses	5,850
Total Current Assets	501,765

Noncurrent Assets

Investments - unrestricted	102,455
Investments - restricted	1,576,757
Investment related to split-interest agreement in remainder trust	93,081
Unconditional promises to give - long-term portion	34,628
Capital assets (net of accumulated depreciation)	15,966
Total Assets	\$ 2,324,652

LIABILITIES

Current Liabilities

Borrowing from restricted funds	\$ 210,746
Accounts payable and other current liabilities	1,535
Payroll liability	11,523
Amounts held for others	781,538
Total Current Liabilities	1,005,342

NET ASSETS

Unrestricted	
Undesignated	(200,020)
Board designated	399,350
Total Unrestricted	199,330
Temporarily restricted	869,925
Permanently restricted	250,055
Total Net Assets	1,319,310
Total Liabilities and Net Assets	\$ 2,324,652

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, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES</b>				
Contributions	\$ 54,443	\$ 187,064	\$ 14,530	\$ 256,037
Contribution from Monterey Peninsula College	100,000	-	-	100,000
State grant	18,266	-	-	18,266
Other income	30,081	44,745	-	74,826
Assets released from restrictions	455,148	(446,755)	(8,393)	-
Total Public Support and Revenues	<u>657,938</u>	<u>(214,946)</u>	<u>6,137</u>	<u>449,129</u>
<b>EXPENSES</b>				
Program expenses	400,468	-	-	400,468
Operating expenses	174,897	-	-	174,897
Fundraising expenses	74,069	-	-	74,069
Total Expenses	<u>649,434</u>	<u>-</u>	<u>-</u>	<u>649,434</u>
<b>OTHER INCOME</b>				
Interest and dividends	16,994	11,607	14,020	42,621
Unrealized loss on investments	(61,579)	(227,240)	(276,510)	(565,329)
Change in value of split-interest agreement	-	9,588	-	9,588
Total Other Income	<u>(44,585)</u>	<u>(206,045)</u>	<u>(262,490)</u>	<u>(513,120)</u>
TRANSFERS	<u>(58,982)</u>	<u>165,858</u>	<u>(106,876)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(95,063)</u>	<u>(255,133)</u>	<u>(363,229)</u>	<u>(713,425)</u>
NET ASSETS, BEGINNING OF YEAR	294,393	1,125,058	613,284	2,032,735
NET ASSETS, END OF YEAR	<u>\$ 199,330</u>	<u>\$ 869,925</u>	<u>\$ 250,055</u>	<u>\$ 1,319,310</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, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (713,425)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities	
Depreciation	3,582
Contributions restricted for long-term purposes	(201,594)
Unrealized loss on investments	565,329
Changes in Assets and Liabilities	
Increase in accounts receivable	(100)
Decrease in unconditional promises to give	37,592
Increase in prepaid expenses	(5,850)
Increase in split-interest agreement in remainder trust	(9,588)
Decrease in accounts payable and other current liabilities	(3,290)
Increase in amounts held for others	3,633
Net Cash Flows from Operating Activities	<u>(323,711)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(11,587)
Purchase of fixed assets	(7,277)
Increase in restricted cash and cash equivalents	(193,710)
Net Cash Flows from Investing Activities	<u>(212,574)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	201,594
Proceeds from restricted funds borrowing	210,746
Net Cash Flows from Financing Activities	<u>412,340</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(123,945)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>123,945</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ -</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, 2008**

	<u>Program</u>	<u>Operating</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 58,122	\$ 110,010	\$ 38,967	\$ 207,099
Employee benefits	5,363	11,466	3,497	20,326
Payroll taxes	604	18,057	408	19,069
Accounting and professional fees	-	9,768	-	9,768
Administrative fees	4,622	-	-	4,622
Art/Sculpture/Pavers	2,593	-	-	2,593
Licenses and fees	-	-	15	15
Banking and investment fees	4,424	4,305	-	8,729
Contracted services	12,350	-	-	12,350
Insurance expenses	-	3,986	-	3,986
Grants/Scholarships/Disbursements	190,064	-	3,678	193,742
Depreciation	-	3,582	-	3,582
Dues and subscriptions	-	935	-	935
Postage	5,382	1,156	4,879	11,417
Printing	12,722	2,060	17,723	32,505
Public relations	1,735	2,377	-	4,112
Speakers' fees - professional	42,765	-	-	42,765
Special events	57,626	-	4,319	61,945
Supplies	-	4,489	583	5,072
Training	-	1,785	-	1,785
Travel	2,096	921	-	3,017
Total Expenses	<u>\$ 400,468</u>	<u>\$ 174,897</u>	<u>\$ 74,069</u>	<u>\$ 649,434</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, 2008**

***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.

The Foundation and the District are financial interrelated organizations as defined by SFAS No. 136, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under SFAS No. 136, 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.

**Fair Value Measurements**

Effective January 1, 2008, the Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in SFAS No. 157, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels, as defined by SFAS No. 157, used to measure fair value:

Level I - Quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level I assets include equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level II - Observable inputs other than Level I prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets. This category includes U.S. Government and agency mortgage-backed debt securities and corporate debt.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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.

**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 five years. Depreciation expense for the year ended December 31, 2008, was \$3,582.

**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 with maturities of less than 90 days. The Foundation maintains its bank accounts at four financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000. As of December 31, 2008, no amounts were uninsured.

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**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.

**New Accounting Pronouncement**

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy that distinguishes between valuations obtained from sources independent of the entity and those from the entity's own observable inputs that are not corroborated by observable market data. SFAS No. 157 expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. This disclosure focuses on the inputs used to measure fair value and for recurring fair value measurements using significant unobservable inputs, the effect of the measurements on earnings, or changes in net assets for the period. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

The Foundation adopted SFAS No. 157 on January 1, 2008, and the adoption did not have a material impact on the Foundation's financial statements.

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

In August 2008, FASB issued SFAS No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This FASB Staff Position (FSP) provides guidance on the net asset classification of *donor-restricted endowment funds* for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC) (formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's *endowment funds* (both *donor-restricted endowment funds* and *board-designated endowment funds*), whether or not the organization is subject to UPMIFA. The provisions of this FSP shall be effective for fiscal years ending after December 15, 2008.

The Foundation adopted SFAS No. 117-1 on January 1, 2008, and the adoption did not have a material impact on the Foundation's financial statements.

**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 unconditional pledges on a monthly basis. There were no uncollectible pledges written off for the year ending December 31, 2008.

As of December 31, 2008, the Foundation unconditional promises to give consisted of the following:

Due within 1 year	\$ 45,046
Due within 1 to 5 years	34,628
Total	\$ 79,674

**NOTE 3 - INVESTMENTS**

Investments are stated at fair value and are summarized as of December 31, 2008:

	Adjusted Cost	Fair Value	Unrealized Loss
Equity accounts	\$ 2,007,824	\$ 1,457,164	\$ (550,660)
Fixed income	236,717	222,048	(14,669)
Total	\$ 2,244,541	\$ 1,679,212	\$ (565,329)

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

Investment activity for the year ended December 31, 2008, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 16,994	\$ 11,607	\$ 14,020	\$ 42,621
Unrealized loss	(61,579)	(227,240)	(276,510)	(565,329)
Total Investment Return	<u>\$ (44,585)</u>	<u>\$ (215,633)</u>	<u>\$ (262,490)</u>	<u>\$ (522,708)</u>

**NOTE 4 - VALUATION OF INVESTMENTS - SFAS NO. 157**

The Foundation uses fair value measurements to record fair value adjustments to certain investments and to determine fair value disclosures. For additional information on how the Foundation measures fair value, refer to Note 1.

**Investments Recorded at Fair Value on a Recurring Basis**

The following table summarizes the valuation of the Foundation's investments by SFAS No. 157 fair value hierarchy levels as of December 31, 2008:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Investment Assets				
Corporate bonds and notes	\$ -	\$ 222,048	\$ -	\$ 222,048
Equity securities	1,457,164	-	-	1,457,164
Beneficiary remainder trust	-	-	93,081	93,081
Total	<u>\$ 1,457,164</u>	<u>\$ 222,048</u>	<u>\$ 93,081</u>	<u>\$ 1,772,293</u>

The following table summarizes the Foundation's Level III reconciliation by SFAS No. 157 standards as of December 31, 2008:

	<u>Level III</u>
Investments, at Fair Value	
Balance, at December 31, 2007	\$ 83,493
Adjustment to reflect changes in beneficiary remainder trust	9,588
Balance, at December 31, 2008	<u>\$ 93,081</u>

**NOTE 5 - AMOUNTS HELD FOR OTHERS**

The Foundation acts as a fiscal agent for departments, organizations, and groups of Monterey Peninsula College. Accordingly, at December 31, 2008, \$781,538 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, 2008**

**NOTE 6 - CAPITAL ASSETS**

The following is a summary of capital assets as of December 31, 2008:

Furniture and equipment	\$ 26,659
Leasehold improvements	2,657
Subtotal	<u>29,316</u>
Less: Accumulated depreciation	(13,350)
Total	<u><u>\$ 15,966</u></u>

**NOTE 7 - DONOR DESIGNATED ENDOWMENTS**

The Foundation consists of approximately 12 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowments are classified and reported based on existence of donor-imposed restrictions as either unrestricted, temporarily restricted, or permanently restricted.

The Board of Trustees has adopted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as permanently restricted net assets (a) original value of gifts donated to permanent endowment (b) plus the original value of subsequent gifts to the endowments (c) plus accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies:* The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of five 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.

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

*Spending Policy:* The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of five percent is based on a three-year moving average of current market values as of December 31, 2008. This rate will be reviewed annually. The expenditure rate includes an administrative expense of one percent of the average market value as of December 31, 2008.

Endowment net asset composition by type of fund as of December 31, 2008, is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Donor-restricted endowment funds	\$ 8,557	\$ 250,055	\$ 258,612

Changes in endowment net assets as of December 31, 2008, are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Balance at December 31, 2007	\$ 102,507	\$ 613,284	\$ 715,791
Contributions	-	14,530	14,530
Investment income	-	14,020	14,020
Net depreciation	-	(276,510)	(276,510)
Transfers out	-	(106,876)	(106,876)
Amounts appropriated for expenditures	(93,950)	(8,393)	(102,343)
Balance at December 31, 2008	\$ 8,557	\$ 250,055	\$ 258,612

**NOTE 8 - RESTRICTIONS ON NET ASSET BALANCES**

Temporarily restricted net assets consist of the following at December 31, 2008:

General Scholarship	\$ 16,320
Astronomy	14,333
Alison Faul Memorial Scholarship	12,068
Women Fund	37,908
Rosabelle Hamann Scholarship	302,380
MPC Library and Technology Center	161,792
P.E. Campaign	147,691
Child Development Center	20,044
Beneficiary Trust	93,081
Miscellaneous Scholarships	64,308
Total Temporarily Restricted Net Assets	<u>\$ 869,925</u>

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

Permanently restricted net assets consist of the following at December 31, 2008:

Newmark Scholarship	\$ 6,868
Donald Davidson Memorial Scholarship	9,910
J & J Logan Memorial	15,632
Operating Endowment	69,794
Shanner Memorial Award	8,918
Smith Scholarship	14,862
Stutzman Choral	11,894
Lefstad Scholarship	6,515
Cutino Scholarship	13,831
M.L. Stutzman Scholarship	12,120
Bruce Gregor Scholarship	11,841
G. Faul Academic Excellence Endowment	67,870
Total Permanently Restricted Net Assets	<u>\$ 250,055</u>

***NOTE 9 - SPLIT-INTEREST AGREEMENT***

The Foundation is the remainder beneficiary under the terms of three irrevocable charitable remainder trusts that are administered by a third party trustee (The Community College League of California). The beneficial interest from the remainder trust is recorded in the statement of financial position based on the present value of the future benefits expected to be received from the trusts. A corresponding amount is reflected in the statement of activities as a temporarily restricted contribution in the year the Foundation was notified of its irrevocable interest. At the end of the trust's terms, the remaining assets are available to the Foundation. Assets held in the charitable remainder trusts totaled \$93,081 at December 31, 2008, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position.

***NOTE 10 - 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, 2008. This money is included on the statement of activities under contributions from Monterey Peninsula College. 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 11 - TRANSFERS BETWEEN FUNDS***

During the year ended December 31, 2008, 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.

---

***SUPPLEMENTARY INFORMATION***

---

**MONTEREY PENINSULA COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Program Name</u>	<u>State Grant Award</u>	<u>Program Expenses</u>
California Children and Family Commission - First 5 California (F5MC)	<u>\$ 18,266</u>	<u>\$ 18,266</u>

See accompanying note to supplementary information.

**MONTEREY PENINSULA COLLEGE FOUNDATION  
(A California Nonprofit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2008**

***NOTE 1 - SCHEDULE OF EXPENDITURES OF STATE AWARDS***

The accompanying schedule of expenditures of State awards includes the State grant activity of the Foundation and is presented on the accrual basis of accounting.



**INDEPENDENT AUDITORS' 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 the financial statements of the Monterey Peninsula College Foundation for the year ended December 31, 2008, and have issued our report thereon dated October 26, 2009. We conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Monterey Peninsula College Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 Monterey Peninsula College Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Monterey Peninsula College Foundation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Monterey Peninsula College Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Monterey Peninsula College Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Monterey Peninsula College Foundation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Monterey Peninsula College Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

