MENDOCINO COLLEGE FOUNDATION, INC.
FINANCE COMMITTEE AGENDA
Tuesday, December 6, 2016
3:00 – 5:00 pm

Mendocino College
Library/Learning Center, Room 4134
1000 Hensley Creek Road
Ukiah, California

1. CALL TO ORDER

2. PUBLIC COMMENTS
The public is welcome to make comments on any items after being recognized by the Chair.

3. APPROVAL OF AGENDA AND MINUTES
3.1 Approval of agenda

3.2 Approval of minutes from the meeting held on August 23, 2016.

4. DISCUSSION/ACTION
4.1 Investments
- 4.1.1 Investment reports – provided for information
- 4.1.2 Investment Policy – October 13, 2016 – Verification of two revisions approved Board of Directors meeting on 10/11/16
- 4.1.3 Main Street presentation at Board of Directors meeting on 12/13/16
- 4.1.4 Possibility of moving excess gains from perpetual account to the general account

4.2 Budgets
- 4.2.1 Budget reports
- 4.2.2 2016-2017 budget update
- 4.2.3 Gala 2016
- 4.2.4 Update on approved expenditures of ending fund balance
- 4.2.5 Giving Tuesday fundraiser results
- 4.2.6 Director's contributions 2016-2017 - $16,420
- 4.2.7 Donations summary report

4.3 Other Business
- 4.3.1 2015-2016 draft audit report
- 4.3.2 College of the Redwoods scholarship funds
- 4.3.3 2017 proposed Finance Committee meeting dates

4.3 Future agenda items

5. ADJOURNMENT

Next meeting: TBD

ADA Compliance: Persons with disabilities needing assistance, please notify the Foundation Office at 467-1018 no later than 24 hours prior to the scheduled meeting. Meetings are held in locations which are wheelchair accessible.

Agenda Packet and Supporting Documents Notice: The agenda packet and supporting materials can be viewed in the Foundation Office, Room 5110, Mendocino College, 1000 Hensley Creek Road, Ukiah, California or online at http://foundation.mendocino.edu.

MENDOCINO COLLEGE FOUNDATION, INC.
MINUTES OF THE OF THE FINANCE COMMITTEE
DRAFT

The regular meeting of the Mendocino College Foundation, Inc. Finance Committee was convened on Tuesday, August 23, 2016, Mendocino College, 1000 Hensley Creek Road, Ukiah, California.

GENERAL MATTERS

Call To Order Chairman DeMeulenaere called the meeting to order at 3:00 p.m.

Committee Chair	Mark DeMeulenaere	Present
	Brian Carter	Absent
	Channing Cornell	Present
	Richard Cooper	Absent
	John Goldsmith	Present
	Marilyn Harden	Present
	Tod Kong	Absent
	Charley Myers	Present
	Arturo Reyes	Absent

Support Staff Katie Fairbairn, Executive Director
Taylor Denham, Office Assistant

College Staff None

Public Comments None

Agenda/Approval M/S/C (Cornell/Goldsmith) To approve the agenda of the regular meeting of the Mendocino College Foundation, Inc. Finance Committee as submitted.

Minutes/Approval M/S/C (Harden/Cornell) To approve the minutes of the regular meeting held on April 5, 2016 and the Special meetings held on May 2, May 24 and June 1, 2016 of the Mendocino College Foundation, Inc. Finance Committee as submitted.

DISCUSSION/ACTION

Investment Policy Review **M/S/C (Myers/Goldsmith) To recommend to the Board of Directors for approval the Investment Policy review as proposed by Main Street Research, LLC.**

Future Agenda Items None.

ADJOURNMENT The meeting of the Mendocino College Foundation, Inc. Finance Committee does hereby adjourn at 4:00 p.m.

Submitted by:

Taylor Denham, Mendocino College Foundation Office Assistant

MENDOCINO COLLEGE
Foundation

INVESTMENT POLICY STATEMENT

October 13, 2016

MAIN STREET RESEARCH LLC
Wealth Management

THE MENDOCINO COLLEGE FOUNDATION
INVESTMENT AND DISTRIBUTION POLICY

Introduction and Purpose

This Investment and Distribution Policy Statement ("Policy" or IPS") provides the framework for the management of the investments of Mendocino College Foundation ("The College Foundation") and all of its affiliate organizations monetary assets (or "funds). The primary purpose of this Policy is to provide guidance and assign responsibilities for the management of The College Foundation and its affiliate organization's funds, including:

- The receipt and assignment of incoming assets to various Holding Accounts ("HA's" or "Accounts"), including those assets or funds collected by authorized affiliate organizations of The College Foundation;

- The distribution of the proceeds of those Accounts in accordance with this IPS and any specific directives of the donors;

- Identifying the key roles and responsibilities relating to the ongoing management of The College Foundation's assets;

- Setting forth an investment structure for The College Foundation's assets;
    - This structure includes various asset classes and acceptable ranges that, in aggregate, are expected to produce a sufficient investment return over the long term while prudently managing risk;
    - This strategy should provide guidance in all market environments, and should be based on a clear understanding of worst case outcomes;

- Establishing formalized criteria to measure, monitor, and evaluate The College Foundation's performance results on a regular basis; and

- Encouraging effective communication among all fiduciaries.

The document is divided into sections. There are also a number of Appendices, which are integral parts of this document. The information contained herein is intended for the use of The College Foundation Board, the Finance and other Foundation Committees, Foundation affiliate organizations, The College Foundation, College Staff, any Financial Service Providers and/or Investment Manager that may be hired, and to inform the donor community at large.

Affiliate Organizations Defined

Affiliate organizations of the Mendocino College Foundation, Inc. are entities that share in the mission and vision of Mendocino College and The College Foundation and are established to meet specific program needs within the College. Affiliate organizations are considered non-profit organizations under The College Foundation's 501(c)(3) status. The College Foundation Board will actively support the activities of the affiliate organizations and encourage participation at all affiliate events.

Holding Accounts

Donations received that contain conditions imposed by The College Foundation or the donor may be segregated in separate Holding Accounts; however, where individual donations have substantively similar conditions they may be aggregated in generic HAs. These Accounts will be established, from time to time, to accommodate the requirements of any unrestricted HAs (e.g., the General Account) and any restricted HAs (e.g., certain endowments, charitable gift annuities, etc. restricted legally by their donors) as may be authorized by the Board of Directors.

Investment Goals, Key Responsibilities, and Philosophy

The College Foundation of Mendocino County is a non-profit foundation established to develop and administer philanthropic funds to Mendocino College that will provide opportunities for its students to achieve their goals and become productive citizens, now and in the future.

- The **mission** of The College Foundation is to provide a common investment vehicle, which will generate a stable and continuously growing income stream, for The College Foundation, which is both trustee and beneficiary.

The overall investment **goals** of The College Foundation are as follows:

- To preserve the purchasing power of the future stream of distributable income for those funds and activities supported by the distributions, and to the extent this is achieved, cause the principal to grow in value over time.

- To maximize return within reasonable and prudent levels of risk.

- To maximize the value of the assets while maintaining liquidity needed to support spending in prolonged down markets.

Key **responsibilities** in the oversight and management of The College Foundation are as follows:

- The Board has appointed a standing Finance Committee, charged with oversight responsibility for the management of investments on behalf of The Board, which includes the establishment of investment policies for The College Foundation and oversight of the management of The College Foundation's assets

The **philosophy** for the management of The College Foundation assets is as follows.

- The investment philosophy of the Finance Committee is to create a management process with sufficient flexibility to capture investment opportunities as they may occur, yet maintain reasonable parameters to ensure prudence and care in the execution of the investment program.

- The Finance Committee seeks a return on investment consistent with levels of investment risk that are prudent and reasonable given medium- to long-term capital market conditions and the investment objectives of The College Foundation. While the Finance Committee recognizes the importance of the preservation of capital, it also recognizes that to achieve The College Foundation's investment objectives requires prudent risk-taking, and that risk is the prerequisite for generating excess investment returns. Therefore the Finance Committee's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated but should be managed, and that fiduciaries have the obligation to utilize risk efficiently. Risk exposures should be identified, measured, monitored and tied to responsible parties; and risk should be taken consistent with expectations for return. Further articulation of the Finance Committee's risk policy is found in Appendix 1.

•The investment portfolio selected for each Holding Account or other investment vehicle may vary according to circumstances spelled out in their governing Appendices, but will where appropriate, consist of a well-diversified mix of approved asset classes that can be expected to generate, over the time horizon of each HA, acceptable returns at a level of risk suitable for those assets.

Time Horizon

The life of The College Foundation is considered to be in perpetuity. The Time Horizon of Holding Accounts for investment purposes is defined as the period over which it is anticipated the average annualized Base Rate of Return (as defined below) will meet or exceed the objectives for the management of the investments in each Holding Account.

Performance Objectives

Performance objectives shall be established for The College Foundation, asset classes and portfolio. These objectives will be incorporated in the quarterly reviews of The College Foundation's performance. The investment strategy articulated in the asset allocation policies found in Appendices III-VI has been developed in the context of long-term capital market expectations, as well as multi-year projections of contributions, spending, and inflation. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective. The Finance Committee acknowledges that over short time periods (i.e. one quarter, one year, and even three to five year time periods), returns will vary from performance objectives and the investment policy thus serves as a buffer against ill-considered action.

There are four principal factors that affect a fund's financial status: 1) contributions from donors, 2) annual payout to endowment recipients, 3) inflation, and 4) investment performance. Only the last factor is dependent upon the investment policy and guidelines contained herein. However, the Finance Committee's level of risk tolerance will take into account all four factors. At certain levels of assets and a given spending policy, it could be impossible for the investments to achieve the necessary performance to meet desired spending. The result is that either spending policy has to be changed, contributions increased or risk tolerance changed.

Rates of return will be calculated based on a time-weighted rate of return formula as recommended by the CFA Institute. Returns will be calculated by the investment advisor(s) and will be reported net of all fees and costs.

The performance of the overall The College Foundation will be measured relative to inflation and policy benchmarks.

Total College Foundation return should exceed the Consumer Price Index on a consistent basis over time. This objective is to achieve a positive return above inflation. The College Foundation's assets are invested with an infinite time horizon, and failure to keep pace with inflation may jeopardize The College Foundations' intended purposes.

Total College Foundation return should match or exceed the indices outlined in Appendixes III-VI, net of all fees and expenses, over the long run. See Appendix III-VI for the composition and calculation of The College Foundation benchmarks.

Over the stated Time Horizon for each HA covered by this policy the objective is to earn a Base Rate of Return (defined as the investment's dividends, interest and appreciation, LESS: the current distribution rate; and all management, custodial and transaction fees and expenses; and inflation as measured by the average Consumer Price Index (CPI) over the corresponding trailing Time Horizon). The Base Rate of Return for each Holding Account may vary due to differing Time Horizons, distribution rates and other possible factors and will be established in their respective Appendix.

This objective is to be applied to the aggregate of the assets in each HA and is not meant to be imposed on each investment vehicle individually. The achievement of this objective will be measured annually by whether each separate HA has met or exceeded the market index or blended index selected and agreed upon for that Account by the Finance Committee.

A further objective in all Holding Accounts is to maintain investment vehicles within each HA with sufficient liquidity to meet projected (or budgeted) distribution requirements.

Investment Advisor Selection, Communication and Evaluation

Selection of Investment Advisors

The Finance Committee, subject to Board approval, is authorized to engage the services of one or more investment advisor(s) who possess the necessary specialized research facilities and skills to meet The College Foundation's investment guidelines and objectives. The investment advisors shall have, or be affiliated with a firm that has, a minimum of $100 million of assets under management. The Finance Committee shall perform reasonable due diligence in evaluating prospective advisors.

Investment advisors hired by The College Foundation shall have a minimum five-year performance record for the investment style proposed and shall have outperformed their benchmarks over at least three of the past five years at a reasonable level of risk. Fees shall be reasonable, and trades shall be based on best execution. The College Foundation requires any investment advisor(s) to be registered under the Investment Advisors' Act of 1940 and to adhere to the "prudent person rule" under such Federal or State laws as now apply, or may in the future apply, to the investment of any trust assets subject to their control.

It is expected that, as a minimum requirement, investment advisors will comply with The Code of Ethics and the Standards of Professional Conduct as established by the CFA Institute.

Conflict of Interest

Members of The College Foundation's Board of Directors or the Finance Committee or their immediate families shall not work for or otherwise receive any form of compensation from investment advisor(s) working with The College Foundation.

Communication with Investment Advisors and Custodian(s)

Investment advisors are responsible for frequent and open communication with the Finance Committee on all significant investment matters. The Finance Committee expects to be informed of any significant changes in the organization of any investment advisor as those changes occur. It is the responsibility of the investment advisor to notify The College Foundation in writing when that advisor believes that a policy, objective or guideline should be modified.

Communication with The College Foundation, at the minimum, will include

• The custodian will provide monthly written reports showing the market value, income received and transactions of the investment portfolio.

• The investment advisor(s) will provide quarterly written reports that include the information provided in the monthly statements plus an evaluation of the portfolio performance measured against established benchmarks for each quarter of the year and year-to-date.

• The investment advisor(s) is required to inform the Finance Committee of significant matters pertaining to the investment of The College Foundation assets, including at a minimum, substantive changes in investment strategy or portfolio structure; significant changes in ownership, organizational structure, financial condition or professional staffing; litigation or violation of securities regulations; significant account losses or growth of new business. The investment advisor(s) must inform the Finance Committee in the event of discovering an unintended or involuntary violation of their guidelines or of any of the policies herein pertaining to them.

Any deviation from these reporting instructions will require prior written approval.

Evaluation of Investment Advisor(s) and Services

The Finance Committee will annually review the investment advisor(s) using the following criteria:

• Compliance with Investment Policy requirements.

• Evaluation of performance using benchmarks, the returns of other Foundations of comparable size, and long-term Foundation objectives.

• Fees charged.

• Adherence to the philosophy and style that were provided by the investment advisor to the Finance Committee when the investment advisor was retained: return relative to objectives, and investment risk as measured by asset allocation/concentration, exposure to extreme economic conditions, and market volatility.

• Continuity of personnel and practices at the firm.

• Working relationship between the investment advisor and The College Foundation.

Individually managed portfolios (e.g., a portfolio invested for a specific fund) and the total College Foundation assets shall be monitored for consistency of investment policy, return relative to objectives, and investment risk as measured by asset concentration, exposure to extreme economic conditions, and market volatility. Individually managed portfolios will be monitored by the Finance Committee on an ongoing basis based on each portfolio's performance from inception. The Finance Committee will regularly review the investment advisor(s) in order to confirm that the factors underlying the performance expectations remain in place.

Fiduciary Oversight Procedures

The following procedures for the management of The College Foundation's assets outline the specific responsibilities of the Finance Committee and other fiduciaries.

The Board, in developing investment policies for The College Foundation assets, shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Finance Committee will exercise its fiduciary responsibilities in regard to the investment program in accordance with The College Foundation Mission and The College Foundation Bylaws, as amended.

Quarterly Review by Finance Committee

- The Finance Committee shall review the investments of The College Foundation no less than quarterly to assess whether policy guidelines continue to be appropriate and are met. The Finance Committee shall monitor investment risk, as well as monitor investment returns on an absolute and benchmark relative basis.

- The investment advisor(s) shall prepare quarterly reports for the Finance Committee and The Board on the investment program, including:
    - The achievement of overall performance objectives
    - The type and amount of risk taken to achieve those objectives
    - Attribution of returns to various investment decisions and risks
    - Adherence to budgets set for total and active risk
    - Compliance with policy guidelines, particularly asset allocation policy
    - The costs of managing The College Foundation's assets

- The Finance Committee and the investment advisor(s) shall monitor the conduct of the custodian of The College Foundation's assets.

Annual Review by Finance Committee

- The Finance Committee shall review the asset allocation policy, asset class guidelines, and current capital market assumptions at least annually to ensure that the current asset mix can reasonably be expected to achieve the long-term goals of The College Foundation.

- The Finance Committee will review The College Foundation's financial condition annually, and recommend a Spending Policy for each year to the Board, which is responsible for approval.

Annual Review by Finance Committee

•The Finance Committee will monitor the investment advisor(s) for compliance with the investment guidelines, achievement of specific objectives, and individual risk exposures.

• The Finance Committee will review this Policy to determine if modifications are necessary or desirable.

<u>Transaction and Asset Class Guidelines</u>

Transaction Guidelines

All HA transactions are required to be entered into on the basis of best execution (Best Realized Net Price, as defined by the Securities and Exchange Commission). Notwithstanding the above, reasonable management fees may be designated for payment of services rendered in connection with the day-to-day management of the assets. All fees, commissions, mutual fund sales charges and other transaction costs shall be clearly reported in writing to the Finance Committee on at least a quarterly basis. Fees and costs for other investment vehicles shall be at all times reasonable and customary with regard to the particular investment vehicle.

Real Estate Transaction Procedures

Prior to entering into any real estate transaction, the Board of Directors of The College Foundation shall receive and consider professional advice from qualified persons or entities: (1) who do not have an existing or potential financial or other material interest which impairs or might appear to impair that person or entity's independence and objectivity of judgment; and, (2) who will not receive a financial or other material benefit from knowledge of information confidential to The College Foundation. Generally, for any purchase or sale of real property, a policy of title insurance and title report, independent appraisal, appropriate environment report, and/or other appropriate inquiries should be acquired, made, and considered before any decision is made concerning real estate transactions. Regarding any agreement concerning a real estate transaction, each and every condition, term, amendment, addition, deletion, alteration, or modification otherwise must be memorialized in writing and shall require full discussion and consideration by The College Foundation Board of Directors with corresponding meeting minutes documenting the same in detail. As a general policy, direct real property investments will not exceed 30% of the assets of The College Foundation. However, the College Foundation, unlike many institutions, is more likely to receive gifts of land given their rural location. These gifts will not constitute a direct investment in real estate.

In addition, for any real estate transaction that may be deemed a loan it must be secured by the underlying real property and the following:

• The borrower shall be completely independent of any appraiser and the appraisal process; the borrower shall maintain no conflict of interest with The College Foundation, including as may be delineated below in the "fiduciary standards/conflict of interest" section of this policy;

• Each and every condition, term, amendment, addition, deletion, alteration, or modification otherwise must be memorialized in writing and shall require full discussion and consideration by

The College Foundation Board of Directors with corresponding meeting minutes documenting the same in detail;

• An installment promissory note (real estate secured) and a short form deed of trust and assignment of rent shall be completed for all real estate loans.

Investment Vehicle Guidelines

The general guidelines that apply to investment advisors are:

• Subject to constraints and restrictions, all decisions regarding sector and security selection, portfolio construction, and timing of purchases and sales are delegated to investment advisors.

- Cash equivalent allowable assets include; Treasury Bills, Money Market Mutual Funds (may not invest in securities prohibited by these guidelines, Commercial Paper, Banker's Acceptance, Repurchase Agreements, Certificates of Deposits
- Allowable Fixed Income securities include; U.S. Government and Agency Securities, Corporate Notes and Bonds, Mortgage Backed Bonds, Preferred Stock, Fixed Income Securities of Foreign Governments and Corporations, Treasury Inflation Protected Securities (TIPS)
- Allowable Equity securities include; Common Stock, Convertible Notes and Bonds, Convertible Preferred Stock, American Depository Receipts (ADRs) of Non-U.S. Companies, Stocks of Non U.S. Companies (Ordinary Shares), REITs (Real Estate Investment Trusts) that are publicly traded, RECO's (Real Estate Operating Companies) that are publicly traded, and short sales of any such securities listed subject to Finance Committee approval.
- Allowable Real Estate assets include; deeds of trust, promissory notes as currently held, as may be approved by the Board of Directors subject to real estate transaction policies set forth herein, including any amendments made hereafter.
- Allowable Institutional Mutual or Pooled Funds include; Mutual Funds which invest in securities allowed in this policy, Exchange Traded Funds (ETFs) which invest in securities allowed in this policy

• Guidelines for Cash Equivalents and Fixed Income Securities (applies to each Holding Account portfolio individually):

- College Foundation assets may be invested only in investment-grade bonds rated BBB (or equivalent) or better, unless such investments are approved by The College Foundation Finance Committee.
- College Foundation assets may be invested only in commercial paper rated A1 (or equivalent) or better, unless such investments are approved by The College Foundation Finance Committee. Money Market Funds selected shall contain securities whose credit ratings at the absolute minimum would be rated investment grade by Standard and Poor's, and or Moody's.
- Excluding U.S. Treasuries and Agencies, no more than 5%-10% of the portfolio market value may be initially invested in any one issue or issuer (doesn't apply to Mutual Fund Families).

○ No Money Market Fund used may invest more than 25% of their market value in any one industry.

- Guidelines for Equity Investments (applies to each Holding Account portfolio individually):
  - ○ All investments must have a readily ascertainable market value and must be readily marketable.
  - ○ No more than 10% of the portfolio market value may be invested in the equity securities of any one issuer (doesn't apply to Mutual Fund Families), no Mutual Fund or ETF used may invest more than 25% of their market value in any one industry.

- Prohibited Assets and transactions include; Margin purchases, Stock loans, Private placements or restricted securities, Commodities and futures contracts, Options (Puts, calls, or hedging techniques), Warrants or other options, except as part of purchase of another security, Limited partnerships, Venture-Capital Investments, Direct investments in tangible assets such as oil and gas and precious metals, Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs, Other Derivatives of Securities, Hedge Funds, Institutional Real Estate (non-securitized), Municipal or other tax exempt securities, Investments not permitted under the Employee Retirement Income Security Act (ERISA), as amended, and the Prudent Man Rule. Unsecured loans (except those made to Mendocino College)

The Asset Allocation Guidelines for each HA will be found in its respective Appendix.

Portfolio Re-Balancing

The Finance Committee shall consider re-allocating and/or re-balancing the asset mix of each of the HA portfolios at least annually. The Finance Committee will consider re-balancing the portfolios more frequently whenever the asset class allocations deviate more than +/-10% from the Targets and must re-balance if any allocation does not fall within the Minimums and Maximums noted for each HA in the Appendices.

Fiduciary Standards/Conflict of Interest

The College Foundation Board of Directors, officers, Finance Committee members, Governing Council members of Affiliate organizations and staff all serve the educational and public purposes to which The College Foundation is dedicated. Accordingly, all such members of The College Foundation (Members) have a clear obligation to conduct the affairs of The College Foundation in a manner consistent with those purposes and to make all decisions solely on the basis of a desire to promote the best interests of the College and The College Foundation.

Further, to avoid any possibility of conflicts of interest, Members, Financial Service Providers, Investment Consultants and Investment Managers shall immediately disclose to the President of The College Foundation, at the time of its discussion of the policy or of matters related to the investment of College Foundation funds or assets, any actual or perceived conflict of interest that could be reasonably expected to impair, or could be reasonably interpreted as impairing, his or her ability to render unbiased and objective advice to fulfill his or her fiduciary responsibility to act in the best interests of the college and The College Foundation with respect to the funds or other assets. This provision shall not preclude the payment of ordinary fees and expenses to The College Foundation's FSPs, ICs, IMs, or other qualified professionals in the course of their services on behalf of The College Foundation.

A Member is considered to have a conflict of interest when he or she or any of his or her family or associates (to his or her present knowledge) either (1) has an existing or potential financial or other material interest which impairs or might appear to impair the individual's independence and objectivity of judgment in the discharge of responsibilities to The College Foundation, or (2) may receive a financial or other material benefit from knowledge of information confidential to The College Foundation.

The family of an individual includes his or her spouse, parents, siblings, children and any other blood relative if the latter resides in the same household. An Associate of an individual includes any person, trust, organization or enterprise (of a business nature or otherwise) with respect to which the individual or any member of his or her family (1) is a director, officer, employee, member, partner or trustee, or (2) has a significant financial interest or any other interest which enables him or her to exercise control or significantly influence policy.

No Member who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make a disclosure, unless otherwise determined permissible by the President of The College Foundation.

Administrative Procedures

The College Foundation Treasurer, working through the office of the Executive Director, will ensure that new donations to The College Foundation will be deposited to the appropriate investment vehicle in the appropriate Holding Account as soon as received. Disbursements to the College will be authorized by the Treasurer and tracked along with all donations and other revenues utilizing the College financial accounting system in accordance with the approved College Foundation Budget. Deposits and disbursements will be deposited or taken from the appropriate investment by directing the investment advisor to deposit to or liquidate certain investments working with the Chair of the Finance Committee to select those that will facilitate keeping the portfolios within the asset class allocation targets.

Instructions for all such transactions must be conveyed to investment advisor in writing bearing the signatures of at least two College Foundation officers. Written confirmations that the actions have been timely accomplished must be promptly returned to The College Foundation by the investment advisor.

Appendices

The Appendices to this policy describe the investment philosophy, style and administrative procedures:

I. Risk Management Policy and Risk Philosophy

II. General Distribution Policy

III. General Account (Unrestricted–Long Time Horizon)

IV. Evelyn R. Foote Trust Endowment “Foote Account” (Restricted-Long Time Horizon)

V. Charitable Gift Annuities, Charitable Remainder Trusts, Charitable Lead Trusts and Similar Deferred Donation Instruments (Restricted-Variable Time Horizons)

VI. Perpetual Endowments (Restricted-Long Time Horizon)

Where possible, donations generated by The College Foundation or its affiliates with substantively similar restrictions and Time Horizons will be deposited to one of the above established Holding Accounts. Examples of other segregated accounts that may need to be established from time to time by additional Appendices to this Investment and Distribution Policy may include, but are not necessarily limited to:

- Alumni Association dues or donations (with restrictions unsuitable for the General Account).
- Private foundation gifts and grants (with restrictions unsuitable for the General Account).
- Government grants (with restrictions unsuitable for the General Account).
- Other private individual donations, bequests, endowments, etc. (with restrictions unsuitable for the General Account).
- Donations targeted to specific Programs (such as Ag, Culinary, Nursing, etc. that contain specific restrictions that cannot be accommodated in the General Account).
- Capital Improvement campaign proceeds (with specific purposes with generally short Time Horizons or otherwise unsuitable for the General Account).
- Naming Rights proceeds (with restrictions beyond just names to be cited).
- “By or in honor of” donations (with restrictions beyond just names to be cited).
- Partnerships with small businesses or corporations (with restrictions beyond just names to be cited).

Mendocino College Foundation, Inc.

Appendix I
to the Investment and Distribution Policy No. 1
Risk Policy

<u>Risk Management Policy and Risk Philosophy</u>

In its broadest sense, risk refers to the unpredictability of future asset value, and specifically, the chance that assets may decrease, as well as increase, in value. Investment principles and practical experience both support the notion that expected returns are proportional to market risk taken. The Finance Committee recognizes that the assumption of risk is necessary to meet The College Foundation's objectives; that is, there are no "risk free" assets, which are sufficient to generate the return needed to support planned spending. Thus The College Foundation does not require the elimination of risk, but the balancing of risk and expected return. Risk in itself is intrinsically neither good nor bad; it is a resource used to generate investment returns. The Finance Committee recognizes that, "The essence of investment management is the management of risks, as well as the management of returns."

Risk Policy

The Finance Committee's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated but should be managed. That is, The College Foundation fiduciaries are responsible for understanding the risks in various investment strategies, ensuring that they are properly compensated for these risks, and measuring and monitoring them continually. In particular, the level of risk taken should be consistent with the return objectives of The College Foundation.

Fiduciaries set the framework for risk management through the investment policy and guidelines, the strategic asset allocation, and the benchmarks used for performance objectives. However, tolerance for risk (alternatively, aversion to risk) may also be expressed in the form of various metrics for risk (volatility) and acceptable budgets and ranges for those metrics.

The investment advisor(s) and the Finance Committee are responsible for managing both total risk (which is associated with overall asset allocation) and active risk (which is associated with investment advisor's decisions within asset classes) and shall implement procedures and safeguards so that the combined risk exposures of portfolios are kept within limits established by the Finance Committee. Further, within limits of prudent diversification and active risk exposures the investment advisor(s) and The Finance Committee may allocate risk exposures within and between asset classes in order to optimize return.

Investment oversight and risk management are primary fiduciary duties of the Finance Committee that are delegated to and performed by the investment advisor(s). The investment advisor(s) shall report on risk exposures and the values of the several risk measures to the Finance Committee, either quarterly and annually.

Spending risk

The investment advisor(s) shall report on this measure to the Finance Committee annually, in conjunction with The College Foundation's financial reviews. However, no objective levels (budget) will be set for this metric due to the separation of responsibility for investment management and spending policy, and the unpredictability of donor contributions. Thus results will be presented for information and use in policy reviews.

Metric

Projected year-to-year change in real spending, over a long term forecast horizon

Principal Risks

The principal risks that impact The College Foundation, and the parties responsible for managing them are as follows:

- *Capital market risk* is the risk that the investment returns (in excess of the risk-free rate) associated with the Finance Committee's asset allocation policy are not sufficient to provide the required returns to meet The College Foundation's investment objectives. Responsibility for determining the overall level of capital market risk lies with the investment advisor(s) and the Finance Committee.

- *Investment style risk* is associated with an active management investment program. It is the performance differential between an asset category's market target and the aggregate performance of the investment advisor(s). This risk is an implementation risk and is the responsibility of the investment advisor(s) and the Finance Committee.

- *Manager value-added risk* is also associated with an active management investment program. It is the performance differential between the aggregate of the investment advisor(s) actual (active) portfolios and benchmarks, both at policy allocation. This risk is an implementation risk and is the responsibility of the investment advisor(s) and the Finance Committee.

- *Tactical/strategic risk* is the performance differential between the policy allocations for The College Foundation's asset categories and the investment advisor(s) actual allocations. This risk is the responsibility of the investment advisor(s) and the Finance Committee.

Mendocino College Foundation, Inc.

Appendix II
to the Investment and Distribution Policy No. 1
Distribution Policy

Distribution Policy

It is the goal of the Mendocino College Foundation to annually distribute a percentage (or in some cases, a fixed amount) of the respective Holding Account assets as noted in their respective Appendices. Where a distribution percentage is used, it shall be applied to the respective 20-quarters rolling average Fair Market Value of that HA as of December 31 of the prior fiscal year for all accounts that have been established for 6 years or more and 12-quarters rolling average Fair Market Value of that HA as of December 31 of the prior fiscal year for all accounts established less than 6 years; however differing rules may apply as to which FMV rolling periods their distribution percentage is applied to accounts for differing time horizons and other factors. The distribution policy for perpetual endowments will comply with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as covered in the appropriate Appendices of this Investment and Distribution Policy.

The College Foundation's Finance Committee will review the long term performance of all appendices' distribution rates at least annually to determine if any significant changes have occurred. If the Finance Committee finds that a change in distribution percentages is advisable it will so recommend to the Board for its formal action to adjust the applicable distribution rates effective the first quarter of the following year.

Annually, the ending fund balance will be derived by taking the unrestricted revenues minus the total expenses, using figures from the Board approved audit report for the preceding year. This increase or decrease will be added to the cumulative unrestricted total. This new amount becomes the new cumulative unrestricted fund balance.

In addition, the board will annually set a reserve amount of 10% of the total unrestricted fund balance. That 10% amount will be subtracted from the cumulative unrestricted fund balance. The remaining cumulative unrestricted fund balance becomes funds available for potential distribution. The board will then review the draft budget for the upcoming fiscal year, including ongoing commitments and strategic goals, and will make recommendations on the amount of those cumulative unrestricted fund balance funds that might be expended during that budget period.

As soon as Strategic Plan goals for spending for the subsequent fiscal year are set by the Board, the Executive Director will establish a draft detailed College Foundation Budget in compliance with these Distribution Policies for the Finance Committee to consider and recommend to the Board for approval before the start of the new fiscal year.

Mendocino College Foundation, Inc.

Appendix III
to the Investment and Distribution Policy No. 1
General Account

Purpose

The purpose of the General Account (GA) is to provide a repository for long term unrestricted donations that are intended to be an ongoing source of monies to be used for scholarships and educational programs of the Mendocino-Lake Community College District.

Unrestricted donations mean those donations which are not designated by their donors for other than the purposes stated above with regard to use, investment parameters, distribution amounts or timing of disbursements. These donations could include, but would not necessarily be limited to:

- Annual donations by individuals, businesses or service clubs (with no restrictions attached other than names “by or in honor of” or “for a specific program” to be cited)

- Matching funds provided by any organization (with no restrictions attached other than names “by or in honor of” or “for a specific program” or “for a geographic area” to be cited)

- Proceeds of Special Events, auctions, raffles, etc.

- Directors and Trustees Fund donations

- President’s Circle donations

- Faculty or Classified Staff donations

- Other special group donations (with no restrictions attached other than names “by or in honor of” or “for a specific program” to be cited

- Royalties and Distribution Rights proceeds

- Fund management fees, speaking honorariums, and other miscellaneous revenue

- Any “Pass-through” donations, grants or bequests (with no restrictions attached other than names “by or in honor of” or “for a specific program” to be cited)

- Any other one-time donations, grants or bequests (with no restrictions attached other than names “by or in honor of” or “for a specific program” to be cited)

- Real property currently held or acquired or donated in the future including any revenue generated thereby by sale or otherwise

Objectives

Over the time horizon stated below for the General Account, the objective is to earn an average annual Base Rate of Return of 8% (the current Distribution Policy rate of 5% plus inflation as measured by the Consumer Price Index currently estimated at a long-term average of 3%).

The performance of the General Account will be compared to the following market indices Rate of Return on a year over year (12 month) basis blended in the same percentages as stated below under the "Target" column of the *Asset Mix* section:

Asset Class	Index
Cash:	90 Day U.S. Treasury Bills
Fixed Income:	Barclays Capital Aggregate Bond Index
Global Equities	MSCI All World Index
U.S. Equities:	S&P 500 Index Total Return
Non-U.S. Equities:	MSCI All World (ex U.S.A) Index
Real Estate Securities:	Dow Jones Wilshire REIT Index
Real Property:	Value to be determined by annual appraisal (as required by auditors)

Performance will be monitored in accordance with the *Performance Monitoring* section of the main body of this Investment and Distribution Policy.

Time Horizon

The time horizon for the management of the General Account funds is long-term (20 to 30 years).

Administrative Procedures

The Executive Director will maintain records regarding donors' requests to identify donations with respect to names "by or in honor of," "for a specific program," or the like.

Asset Mix

The blend of assets selected for the General Account will consist of a well-diversified mix of the following asset classes that can be expected to generate acceptable long-term returns at a level of risk suitable for those assets.

Asset Class	Minimum	Target	Maximum
Cash Equivalents	0	10	40
U.S. Fixed Income	5	15	70
Non-U.S. Fixed Income	0	5	20
U.S. Equities	20	50	85
Non-U.S. Equities	0	15	40
Real Estate Securities	0	10	15

Distribution Policy

Based upon the recommendation of The College Foundation's Finance Committee, the Board of Directors has set the distribution rate in the General Account at 5% in accordance with the provisions of the Investment and Distribution Policy No. 1 (other than "Pass-through" donations). The spending amount so calculated shall be used to fund The College Foundation's budgeted operating expenses, scholarships and college educational support programs including the special distribution requirements of the Individual Perpetual Scholarship Program and the Adopt A Fifth-Grader Scholarship Program as noted below:

- For the Perpetual Scholarship Program (PSP), the budgeted distribution amount for each coming Fiscal Year shall be the number of $1,000 scholarships to be awarded under this program each year matching the number of incremental $25,000 donations made at least one year prior to the award.

- For the Adopt A Fifth-Grader Scholarship Program (AAFGSP), at the time of selection of a fifth grader, a $25.00 award shall be given to the recipient. Either a $500 cash award OR a $1,000 scholarship to attend Mendocino College full-time shall be given upon proof of their high school graduation. The number of AAFGSP scholarships to be awarded each year shall match the number of incremental $700 donations made approximately seven years subsequent to the initial award (when each named recipient graduates from high school).

- For the Long Term Adopt A Fifth-Grader Program (LTAFGSP), at the time of selection of a fifth grader each year during the term of the LTAFGSP, a $25.00 award shall be given to the recipient. Either a $500 cash award OR a $1,000 scholarship to attend Mendocino College full-time shall be given upon proof of their high school graduation. The number of LTAFGSP awards/scholarships to be granted each year shall match the number of *then active* LTAFGSP accounts starting approximately seven years subsequent to each initial donation (when each named recipient graduates from high school) and thereafter repeated each year *until the end of the term* of each LTAFGSP.

Mendocino College Foundation, Inc.

Appendix IV
to the Investment and Distribution Policy No. 1
Evelyn R. Foote Trust Endowment (Foote Account)

Purpose

This Appendix to the Investment and Distribution Policy describes the criteria to be used by the Mendocino College Foundation with regard to the investment and disbursement of monies from the Foote Account.

Background

By resolution of the Governing Board of the Mendocino-Lake Community College District dated August 5, 1992, The College Foundation arranged to receive an endowment of scholarship and program funds directly from the Evelyn R. Foote Trust. Thereafter, The College Foundation formed an Investment and Finance Committee to advise The College Foundation regarding the disposition of the endowment funds.

Foote Account Principles

The funds from The College Foundation's Evelyn R. Foote Trust account shall be disbursed in a manner consistent with the provisions of the Evelyn R. Foote Revocable Trust dated July 2, 1990, its first amendment dated May 14, 1991 and second amendment dated October 1, 1992.
The overall objective of the endowment is stated in the Second Codicil to the Will of Evelyn R. Foote dated May 14, 1991, as follows:

"The portion of the residue of my estate bequeathed to the Mendocino College Scholarship Program …shall be used to establish a perpetual fund in my name. The income there from shall be distributed, at least annually, to supplement extracurricular programs and scholarships to benefit the students of the Mendocino College…"

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the following principles are applicable to this endowment.

In making a determination as to the annual distribution level from the Evelyn R. Foote endowment, The College Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:

- The duration and preservation of the endowment funds.
- The purposes of The College Foundation and the endowment funds.
- General economic conditions.
- The possible effect of inflation or deflation.

•The expected total return from income and the appreciation of investments.

• Other resources of The College Foundation.

• The investment policy of The College Foundation.

The appropriation for expenditure in any year of an amount greater than 7 percent of the fair market value of the endowment funds, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence.

Objectives

Over the time horizon stated below for the Foote Account, the objective is to annually distribute the income per the express wishes of the donor.

The performance of the Foote Account will be compared to the following market indices Rate of Return on a year over year (12 month) basis blended in the same percentages as stated below under the "Target" column of the *Asset Mix* section:

Asset Class	Index
Cash:	90 Day U.S. Treasury Bills
Fixed Income:	Barclays Capital Aggregate Bond Index
Global Equities	MSCI All World Index
U.S. Equities:	S&P 500 Index Total Return
Non-U.S. Equities:	MSCI All World (ex U.S.A) Index
Real Estate Securities:	Dow Jones Wilshire REIT Index

Performance will be monitored in accordance with the *Performance Monitoring* section of the main body of this Investment and Distribution Policy.

Time Horizon

The time horizon for the management of the Foote Account is long-term (20 to 30 years).

Asset Mix

The blend of assets selected for the Foote Account will consist of a well-diversified mix of the following asset classes that can be expected to generate acceptable long-term returns at a level of risk suitable for those assets.

Asset Class	Minimum	Target	Maximum
Cash Equivalents	0	5	40
U.S. Fixed Income	5	15	70
Non-U.S. Fixed Income	0	5	20
U.S. Equities	20	50	85
Non-U.S. Equities	0	15	40
Real Estate Securities	0	5	15

Distribution Policy

Based upon the recommendation of The College Foundation's Finance Committee, the Board of Directors has set the distribution rate in the Foote Account at 4% in accordance with the provisions of the Investment and Distribution Policy No. 1.

Mendocino College Foundation, Inc.

Appendix V
to the Investment and Distribution Policy No. 1
Charitable Gift Annuities (CGAs), Charitable Remainder Trusts (CRTs), Charitable Lead Trusts (CLTs) and similar Deferred Donation Instruments (DDIs)

Purpose

This Appendix to the Investment and Distribution Policy describes the general criteria to be used by the Mendocino College Foundation with regard to the investment and disbursement of monies from Charitable Gift Annuities (CGAs), Charitable Remainder Trusts (CRTs), Charitable Lead Trusts (CLTs) and Similar Deferred Donation Instruments (DDIs) given in any amounts, but generally larger than $10,000.

Background

These donations will typically be segregated in separate accounts due to their varying time horizons and legal restrictions. Consequently, this Appendix covers only common requirements and separate Appendices may be necessary for some or all of the accounts. The common thread through this type of donation is that the realization of the proceeds of the account does not occur until some future date or period after the donation is formalized.

Specific DDI Administrative Procedures

The monies donated, either at the inception or during the term of the trust, are set aside in an Annuity or Trust and invested, usually by a third party Investment Manager (IM). The College Foundation currently has an arrangement with the Community College League of California-CGA to handle Charitable Gift Annuities. They in turn use TIAA-CREF Trust Company, FSB as trustee to provide management and reporting. When a gift is irrevocable, but is not due until a future date, the Present Value of that gift is reported by The College Foundation as an asset at the time the gift becomes irrevocable.

Except in the case of a Charitable Lead Trust, the donor receives the income from the CGA or CRT until their death. Once those payments have terminated, the funds representing the remaining principal (residuum) shall be transferred to The College Foundation's unrestricted account (General Account) or to such specific restricted account as required by the donor. In the case of a Charitable Lead Trust, The College Foundation may be designated as the beneficiary of the income from the trust during the life of the donor, which may be either a guaranteed annuity or a fixed percentage determined annually. The Finance Committee will determine in which account(s) these income streams will be deposited. The heirs of the CLT donor receive the residuum upon the donor's death, at which time the income stream to The College Foundation ceases.

Objectives

Over the time horizon stated below for the DDI Account(s), the earnings objective is set by the third party IM who has sole discretion in the management of the account. Once the principal is transferred to The College Foundation, it will determine into which Holding Account the proceeds will be placed. At that point The College Foundation's Finance Committee will assume direct management of the funds and set the appropriate account to deposit the funds in and the return objectives.

The status of the DDI Account(s) will be monitored by receipt of regular reports from the third party IM(s) involved.

Time Horizon

The time horizon for the management of the DDI Account(s) will vary, but usually will be long-term (20 to 30 or more years).

Types of Assets

The types of investment vehicles will be determined by the third party IM.

Investment Management

The third party IM has sole discretion in the management of the account during the life of the DDI. The IM shall report on the performance and balances in each account in writing on at least a quarterly basis.

Once the principal is transferred to The College Foundation, The College Foundation's Finance Committee will assume direct management of the funds and determine into which Holding Account(s) they will be placed.

Asset Mix

The blend of assets will be selected by the third party IM during the life of the DDI.

Distribution Policy

The distribution of the proceeds from the income or termination residuum of the DDI will be determined depending on which Holding Account the Finance Committee places the funds.

Mendocino College Foundation, Inc.
Appendix VI
to the Investment and Distribution Policy No. 1.0
Perpetual Endowments

Purpose

This Appendix to the Investment and Distribution Policy describes the criteria to be used by the Mendocino College Foundation with regard to the establishment of and investment and disbursement of monies in Perpetual Endowment Accounts.

Specific Endowment Agreements

Perpetual Endowment Accounts may from time to time be established by written Endowment Agreements between The College Foundation and individual, family or corporate donors. All such agreements will, by reference, be governed by the general provisions of this Appendix D. The separate agreements will specify the particular wishes of each donor with respect to:

- The name by which the endowment fund will be known
- The purpose to which distributions are to be made (e.g. scholarships, college programs, capital projects, or other purposes consistent with The College Foundation Mission Statement and Values)
- The principal amount(s) and terms of the donation(s)
- Allowable restrictions, if any, on qualifications of intended recipients
- Other specific requirements of the donor or The College Foundation provided they are consistent with the Policies and Procedures of The College Foundation

General Account Principles

The objective of any Endowment Account established hereunder is to create perpetual funding for the specific purposes and in accordance with the specific provisions contained in the individual Endowment Agreements.

The funds from The College Foundation’s Endowment Accounts shall be separately established, accounted for, invested and disbursed in a manner consistent with The College Foundation’s Investment and Distribution Policy 1.0 including the provisions of this Appendix D.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the following principles are applicable to these endowments.

In making a determination as to the annual distribution level from Perpetual Endowments, The College Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:

- The duration and preservation of the endowment funds.
- The purposes of The College Foundation and the endowment funds.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of The College Foundation.
- The investment policy of The College Foundation.

The appropriation for expenditure in any year of an amount greater than 7 percent of the fair market value of the endowment funds, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence.

These endowments will be managed in perpetuity following the established terms. However, if unforeseen or unexpected circumstances were to arise or it is no longer feasible to administer the program in the same way, The College Foundation reserves the right to modify the terms.

Investment and Distribution Objectives

Over the time horizon stated below for these Endowment Accounts, the objective is to annually make distributions in accordance with the *Distribution Policy* section of this appendix or as modified in the individual endowment agreement.

The performance of the Endowment Accounts will be compared to the following market indices Rate of Return on a year over year (12 month) basis blended in the same percentages as stated below under the "Target" column of the *Asset Mix* section:

Asset Class	Index
Cash:	90 Day U.S. Treasury Bills
Fixed Income:	Barclays Capital Aggregate Bond Index
U.S. Equities:	S&P 500 Index Total Return

Non-U.S. Equities:	MSCI All World (ex U.S.A) Index
Real Estate Securities:	Dow Jones Wilshire REIT Index

Performance will be monitored in accordance with the *Performance Monitoring* section of The College Foundation's Investment and Distribution Policy 1.0.

Time Horizon

The time horizon for the management of the Endowment Accounts is long-term (20 to 30 or more years).

Asset Mix

The blend of assets selected for the Endowment Accounts will consist of a well-diversified mix of the following asset classes that can be expected to generate acceptable long-term returns at a level of risk suitable for those assets:

Asset Class	Minimum	Target	Maximum
Cash Equivalents	0	5	40
U.S. Fixed Income	5	15	70
Non-U.S. Fixed Income	0	5	20
U.S. Equities	20	50	85
Non-U.S. Equities	0	15	40
Real Estate Securities	0	10	15

Distribution Policy

Based upon the recommendation of The College Foundation's Finance Committee, the Board of Directors has set the distribution rate in the Perpetual Endowments at 4 percent in accordance with the provisions of the Investment and Distribution Policy No. 1.

Mendocino College Foundation, Inc.
Agreement

The College Foundation and advisor(s) together seek to abide by the contents of this Investment Policy Statement.

Agreed this day: ____________________
(mm/dd/yyyy)

Mendocino College Foundation: ____
Charles Myers
President

____
J. Arturo Reyes
Treasurer, Secretary

____
Katherine Fairbairn
Executive Director

Main Street Research LLC: ____
James Demmert
Founder – Managing Partner

Mendocino College Foundation
2016-2017 Donation Summary Report

Purpose		Donations to date
2016 Gala	$	110,754
Adopt A Fifth Grader	$	13,568
Area of Greatest Need	$	2,630
Designated	$	4,010
Directors/Trustees Annual Fund	$	75
Scholarships	$	100,862
Yvonne Sligh Book Awards	$	1,000
Athletic Boosters	$	15
Friends of the Coastal Field Station	$	10,875
Friends of the Library	$	-
Friends of the Nursing Program	$	11,175
Friends of the Theatre	$	30
Lake County Friends	$	520
North County Friends	$	315
Total Donations to date	**$**	**256,249**

Mendocino College Foundation, Inc.

Ukiah, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mendocino College Foundation, Inc.
Ukiah, California

We have audited the accompanying financial statements of Mendocino College Foundation, Inc., a nonprofit corporation (the Foundation), which comprise the statement of financial position as of June 30, 2016; and the related statements of activities and cash flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DATE
Redding, California

Mendocino College Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2016		
ASSETS		
Cash and cash equivalents	$	26,617
Investments:		
Evelyn Foote Fund		1,142,799
Foundation Trust Fund		5,030,988
Halliday Fund		209,045
Salmen Fund		38,744
Perpetual Fund		311,522
Adopt A Fifth Grader Fund		259,155
Bogner Fund		37,754
Notes receivable		353,319
Assets held by others		339,049
Other assets		3,831
Capital assets:		
Land		1,273,090
Infrastructure		33,278
TOTAL ASSETS	$	9,059,191
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	4,943
Deferred revenues		24,500
Total Liabilities		29,443
Net Assets		
Unrestricted net assets		6,573,151
Temporarily restricted net assets		764,653
Permanently restricted net assets		1,691,944
Total Net Assets		9,029,748
TOTAL LIABILITIES AND NET ASSETS	$	9,059,191

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

Mendocino College Foundation, Inc.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Special events (Gala):				
Gross revenue	$ 145,369	$ -	$ -	$ 145,369
Less: Event expenses	(45,051)	-	-	(45,051)
Total Special Events	100,318	-	-	100,318
Contributions	25,634	345,577	70,989	442,200
Investment return (loss):				
Interest and dividends	241,679	78,175	-	319,854
Net investment realized and unrealized gains (losses)	(46,902)	1,543	-	(45,359)
Realized loss on sale of land	(12,578)	-	-	(12,578)
Interest on bank deposits	(116)	-	-	(116)
Net assets released from restrictions	322,079	(322,079)	-	-
Total Revenues, Gains, and Other Support	630,114	103,216	70,989	804,319
Expenses				
Program services:				
Scholarships - Foote Fund	42,000	-	-	42,000
Scholarships - General	231,448	-	-	231,448
Support of Mendocino-Lake Community College District	266,905	-	-	266,905
Total Program Services	540,353	-	-	540,353
Supporting services:				
Management and general	205,043	-	-	205,043
Fundraising	178,647	-	-	178,647
Total Supporting Services	383,690	-	-	383,690
Total Expenses	924,043	-	-	924,043
Change in Net Assets	(293,929)	103,216	70,989	(119,724)
Net Assets - Beginning of Year	6,867,080	661,437	1,620,955	9,149,472
Net Assets - End of Year	$ 6,573,151	$ 764,653	$ 1,691,944	$ 9,029,748

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

Mendocino College Foundation, Inc.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2016		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(119,724)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Less: Reinvested interest and dividends		(319,854)
Less: Realized and unrealized net gain on investments		47,184
Less: Realized gain on sale of land		12,578
Changes in:		
Gala receivable		1,049
Other assets		(438)
Assets held by others		(14,189)
Accounts payable		2,083
Deferred revenue		(23,310)
NET CASH USED BY OPERATING ACTIVITIES		(414,621)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable		1,031
Purchase of land		(351,725)
Proceeds from sale of land		967,422
Proceeds from sale of investments		859,594
Purchase of investments		(1,105,673)
NET CASH PROVIDED BY INVESTING ACTIVITIES		370,649
Net Decrease in Cash		(43,972)
Cash - Beginning of Year		70,589
Cash - End of Year	$	26,617
NONCASH TRANSACTIONS		
Loss in conjunction with sale of land	$	(12,578)
Interest and dividends - reinvested	$	319,854

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization The Mendocino College Foundation, Inc. (the Foundation), a component unit included in the reporting entity of the Mendocino-Lake Community College District (the District), is a nonprofit organization. It was founded during the 1984-85 year to strengthen student services by providing student scholarships, enriching instruction and basic skills, as well as enhancing program and staff development. Its goal is to promote and develop a mutually beneficial relationship between the College and the community. Because of the education nature of its activities, it has been granted tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*.

Basis of Presentation and Accounting These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes: unrestricted, temporarily restricted, or permanently restricted, as follows:

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents and are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

Investments Investments held in brokerage accounts are reported at fair value based on quoted market prices and investments in property held for sale are reported at fair value based on property appraisals. All realized and unrealized gains or losses are reported in the statement of activities.

Capital Assets Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Property and equipment are recorded at cost on the date of acquisition or fair value at time of donation.

Assets Held by Others Assets held by others represent amounts held by the Community College League of California (the League) and Sonoma State University Academic Foundation (SSUAF) for the Foundation. The League facilitated four gift annuities for the Foundation. The amount recorded approximates the net present value of the future benefit to be received by the Foundation. The SSUAF is the trustee for the Halliday Trust which will terminate in 2024. The Foundation is a 50% beneficiary of the trust.

Endowment Investment and Spending Policy The Foundation's endowment consists of the Evelyn Foote Fund and gift annuities that will create a perpetual scholarship fund when the Foundation receives the residual of the annuities, sometime in the future. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of California, 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, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

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 by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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, over time, of approximately 8% for the Foundation Trust Fund and 7% for the Evelyn Foote Fund, annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Foundation has a policy of appropriating for distribution each year 5% for the Foundation Trust Fund and 4% for the Evelyn Foote Fund. These percentages are applied to each funds' 12-quarter rolling average fair market value. In establishing this policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Contributions The Foundation recognizes contributions from unconditional promises to give when such promises are made if the amounts can be reasonably determined. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are to be received in future years are discounted at the Foundation's risk-free rate of return.

Donated Assets Donated marketable securities and other noncash donations (gift annuities) are recorded as contributions at their estimated fair values at the date of donation.

Donated Services Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

During the year, the Foundation received services meeting these criteria from the District in the form of accounting and administrative services as well as use of facilities. The value of these services is not included in the financial statements as management believes the value is not material to the financial statements as a whole. The Foundation did not receive any other services during the year that met the criteria for recognition in these financial statements.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with specific program services and fundraising. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they are essential to the success of the Foundation's mission and programs.

Income Taxes The Foundation operates under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

FASB ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements in accordance with FASB ASC 740 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

The Foundation files exempt organization returns in the U.S. federal jurisdiction and the State of California. The Foundation's federal exempt organization returns for tax years 2013 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California exempt organization returns for tax years 2012 and beyond remain subject to examination by the Franchise Tax Board.

The Foundation did not have unrecognized tax benefits as of June 30, 2016, and does not expect this to change significantly over the next 12 months. In connection with the adoption of FASB ASC 740-10, the Foundation will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2016, the Foundation did not accrue interest or penalties related to uncertain tax positions.

Subsequent Events Management has evaluated subsequent events through DATE, the date on which the financial statements were available to be issued.

2. INVESTMENTS

The Foundation's investments consisted of the following:

June 30, 2016	Halliday Fund	Salmen Fund	Evelyn Foote Fund	Foundation Trust Fund	Perpetual Fund	Bogner Fund	AAFG Fund
Money market funds	$ 495	$ 1,225	$ 298	$ 126,705	$ 577	$ 2,240	$ 17,363
Mutual funds	208,550	37,519	1,142,501	4,904,283	310,945	35,514	241,792
Total Investments	$ 209,045	$ 38,744	$ 1,142,799	$ 5,030,988	$ 311,522	$ 37,754	$ 259,155

Please add the total column from excel here to the far right

3. CONCENTRATION OF CREDIT RISK

The Foundation has concentrated essentially all cash with the County. Because of the nature of pooled accounts, the Foundation is not able to determine what portion of its balances are insured; however, the *California Government Code* requires California banks and savings and loan associations to secure local government's (such as the County) deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

4. CAPITAL ASSETS

As of June 30, 2016 the Foundation currently owns approximately 422 acres of real property which surrounds the main campus of Mendocino-Lake Community College District at 1000 Hensley Creek Road, Ukiah CA. In April of 2016 the Foundation sold 550 acres for approximately $1 million which was previously classified in the statement of financial position as Investment Property Held for Sale. As of June 30, 2016 the Foundation has no Investment Property Held for Sale. Additionally, in January of 2016 the Foundation purchased 44 acres for approximately $353,000 and recorded the purchase as a Capital Asset at the original cost. The carrying value of the total 422 acres of real property is $1,273,090 and is recorded in Capital Assets at original cost or value at the original date of donation. The 422 acres will be retained for the future growth of the college. In additional, a road has been built on the retained property totaling $33,278 that has been capitalized as infrastructure.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following individual contributions:

June 30, 2016		
ADOPT A FIFTH GRADER		
The program was established during the 2007-08 fiscal year by donors donating funds to the program. The donors give the Foundation $700 to adopt a fifth grade student. The student will receive $25 during fifth grade and $500 upon graduation from high school, or $1,000 if they enroll at Mendocino College as a full-time student after graduating high school.	$	207,801
Balance Forward	$	207,801

June 30, 2016		
Balance Brought Forward	$	207,801
KOENINGER FUND		
The Koeninger Fund was established during the 2007-08 fiscal year by a donation received from Mary Lou and Wade Koeninger to fund a program whereby each June, a fifth grader attending Hopland Elementary is awarded $25. The student will then receive $500 upon graduation from high school, or $1,000 if they enroll at Mendocino College as a full-time student after graduating high school.		20,000
NURSING SCHOLARSHIP FUND		
The Nursing Scholarship Fund was established by donations from the Kathleen Kohn Fetzer Family Foundation and Doug Atkinson, and is restricted for scholarships to nursing students.		15,000
BISTRIN SCHOLARSHIP		
The Bistrin Scholarship was created in 2011 when Mendocino College Foundation Director Harry Bistrin passed away and donations were received in his memory. The first Bistrin Scholarship was awarded for the 2012-13 academic year.		26,073
YVONNE SLIGH BOOK AWARD		
The Yvonne Sligh Book Award funds student book vouchers in the amount of $150.00. Eligible students do not receive financial aid from Mendocino College and have not received a Mendocino College Foundation Scholarship. This program was established in 2002-2003 by the Mendocino College Foundation and honors late librarian Yvonne Sligh who was employed by the college for 16 years.		-
Balance Forward	$	268,874

June 30, 2016			
Balance Brought Forward		$	268,874
FOUNDATION AFFILIATE ORGANIZATIONS			
Friends of Mendocino College Coastal Field Station and Natural Sciences (FMCCFSNS)	22,453		
Friends of the Mendocino College Library (FMCL)	1,666		
Friends of the Medocino College Theatre (FMCT)	6,386		
Friends of the Mendocino College Nursing Program (FMCNP)	27,780		
North County Friends of Mendocino College (NCFMC)	2,054		
Lake County Friends of Mendocino College	7,464		
Mendocino College Athletics Boosters	15,605		
Sub-Total Foundation Affiliate Organizations			83,408
MARY OOSTING FINE ARTS SCHOLARSHIP			
Established in memory of Mary Oosting by loving family and friends, this scholarship supports students who are highly motivated in the area of visual arts. Each year art faculty identify a recipient who demonstrates commitment and enthusiasm in fine arts.			25,000
VARIOUS SCHOLARSHIPS			
Miscellaneous scholarships.			7,325
HALLIDAY PERPETUAL SCHOLARSHIP			
See note 6 Endowments for explanation.			34,545
EVELYN FOOTE TRUST			
See note 6 Endowments for explanation.			339,257
SALMEN FAMILY SCHOLARSHIP			
See note 6 Endowments for explanation.			6,244
Total Temporarily Restricted Net Assets		$	764,653

6. PERMANENTLY RESTRICTED NET ASSETS

June 30, 2016		
EVELYN FOOTE TRUST		
Beginning in 1992 and continuing over subsequent years, the Foundation received major contributions from the Evelyn Foote Remainder Annuity Trust for a total amount of $803,542. The trust stipulated that the contributions shall be used to establish a perpetual fund in Ms. Foote's name, and income from the fund shall be distributed annually to supplement extracurricular programs or scholarships to benefit District students. The Foundation has determined the trust document does not consider unrealized gains and losses as income that becomes available for annual distribution.	$	803,542
GIFT ANNUITY		
The Foundation is the beneficiary of gift annuities funded during the prior years. At the end of the donor's life, the Foundation will receive the residual of the assets used to create the annuities. The amounts have been restricted by the donors to fund a scholarship endowment.		155,863
HULDA AND ALFRED WEGER SCHOLARSHIP		
During fiscal year 2009-10, Hulda Weger donated $25,000 to be used for annual scholarships. The $25,000 generates a permanent $1,000 per year scholarship to benefit Ukiah High School graduates who attend Mendocino College.		25,000
SALMEN FAMILY SCHOLARSHIP		
The Salmen Family's Perpetual Scholarship was established in 2010 to support Mendocino College students pursuing a career in one or more of the following sciences: astronomy, chemistry, computer, physics, and math by providing an annual $1,000 scholarship. Salmen donates $3,000 annually, and a $3,000 donation is provided by the New York Life Foundation's matching gift program. The Salmen family formally changed this from a perpetual scholarship to an endowment account. The endowment will continue to fund student scholarships using the same criteria as was originally established.		34,500
Balance Forward	$	1,018,905

June 30, 2016		
Balance Brought Forward	$	1,018,905
ALBERT BELTRAMI PERPETUAL INTERNSHIP SCHOLARSHIP		
Established in 2011, this scholarship is for Mendocino College students pursuing a career in local government. The student(s) selected will intern in a local city or county government office and enroll in Mendocino College Work Experience Education for college credit. Participating students receive $500-$1,000 for successfully completing the internship and coursework.		50,000
LES GREGG FAMILY SCHOLARSHIP		
Mrs. Catherine Gregg and daughter, Leslie Gregg Banta, established a new perpetual scholarship in memory of their late husband and father, longtime Ukiah restaurant owner, Les Gregg. The scholarship is awarded to students enrolled in 6 or more units in the Culinary Arts Management Program at Mendocino College.		25,000
JOE AND DOROTHY HALLIDAY SCHOLARSHIP		
In 2011, the Mendocino College Foundation received a generous gift through the estate of Joe and Dorothy Halliday. The Hallidays were loyal and hard working Point Arena residents with ancestral ties to the Mendocino Coastal communities dating back to the late 1800s. The gift will fund three scholarships with an internship component. Priority is given to Point Arena High School graduates. Recipients must demonstrate a high level of community volunteerism and have successfully completed a basic geography examination.		174,500
JOE AND DOROTHY HALLIDAY SCHOLARSHIP #2		
Sonoma State University Academic Foundation (SSUAF) is the trustee for the Halliday Trust 2 which will terminate in 2019. The Foundation is a 50% beneficiary of said trust. The amount recorded is based on 50% of the fund balance on an annual fund report provided by SSUAF.		183,185
FETZER NURSING SCHOLARSHIP		
The Kathleen Kohn Fetzer Family Foundation provided $50,000 in perpetuity which will fund one Nursing Program Scholarship and one Student Scholarship annually. The Foundation funded these scholarships to inspire and assist nursing students in furthering their career.		50,000
Balance Forward	$	1,501,590

June 30, 2016		
Balance Brought Forward	$	1,501,590
WALLACE MEEK PEREZ SCHOLARSHIP		
Established in 2013, this scholarship assists a MESA student in obtaining their educational goals at Mendocino College. Wallace and Virginia Meek believed in everyone having an opportunity to obtain an education. Wallace passed away in late 2012, and Virginia created this award in their names. This is an open-ended fund, and contributions can be made through the Mendocino College Foundation.		38,675
JOHN BOGNER FINE ARTS SCHOLARSHIP		
This perpetual scholarship was established by countless donations from our community to honor and remember beloved community leader and advocate, Mr. John Bogner. Theatre and music were a passion of Bogner's, and it is fitting that this award be given to a student pursuing a career in the fine arts.		37,754
ROBERT AND MARLYS BLANC SCHOLARSHIP		12,925
The scholarship program was established in 2015 to support a Mendocino College student in reaching their academic goals. The Blanc's reflected on how much a college education has been part of their lives and success, and they wanted to give back in a very direct and personal way.		
LARUE KORBIN SCHOLARSHIP		
LaRue Korbin spent her entire life in the service of helping others. She was a loving, caring and giving person who truly believed in doing everything possible to make our world a better place. The impact of Korbin's work and her passion for helping other will live on in perpetuity. In 2014, husband Frank Bender generously created the LaRue Korbin Memorial Scholarships for Mendocino County students enrolled in the nursing program.		101,000
Total Permanently Restricted Net Assets	$	1,691,944

Endowment net asset composition by type of fund is as follows:

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Foundation Trust Fund	$ 4,889,584	$ 127,729	$ 13,675	$ 5,030,988
Evelyn Foote Fund	-	339,257	803,542	1,142,799
Halliday Fund	-	34,545	174,500	209,045
Halliday Fund #2	-	-	183,185	183,185
Salmen Fund	-	4,244	34,500	38,744
Perpetual Fund	(28,480)	51,077	288,925	311,522
AAFG Fund	51,354	207,801	-	259,155
Bogner Fund	-	-	37,754	37,754
Gift Annuity Fund	-	-	155,863	155,863
Total Endowment at June 30, 2015	$ 4,912,458	$ 764,653	$ 1,691,944	$ 7,369,055
Endowment Net Assets - Beginning of Year	$ 4,565,851	$ 661,437	$ 1,620,955	$ 6,848,243
Contributions	25,634	345,577	70,989	442,200
Interest and dividends	241,679	78,175	-	319,854
Net realized and unrealized gains (losses)	(46,902)	1,543	-	(45,359)
Amounts appropriated for expenditures	126,196	(322,079)	-	(195,883)
Endowment Net Assets - End of Year	$ 4,912,458	$ 764,653	$ 1,691,944	$ 7,369,055

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor requires the Foundation to retain, over the long term, as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2016.

7. EXPENSE CLASSIFICATION

The natural classification for the management and general and the fundraising expenses are as follows:

June 30, 2016	Management and General	Fundraising
Salaries and consulting fees	$ 70,034	$ 178,647
Supplies, materials, and other	135,009	-
Total Management, General, and Fundraising Expenses	$ 205,043	$ 178,647

8. FAIR VALUE MEASUREMENTS

The Foundation accounts for certain assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under generally accepted accounting principles.

The Foundation classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

Level 1: Quoted market prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation, which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2016.

Money Market Funds: These assets are valued at the net asset value (NAV), generally $1 per share, and are reported on the active market on which securities are traded.

Mutual Funds: These assets are valued at the NAV reported on the active market on which the securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis are as follows:

June 30, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 148,903	$ 148,903	$ -	$ -
Mutual funds:				
Large-cap value funds	1,488,801	1,488,801	-	-
Large-cap blend funds	3,101,343	3,101,343	-	-
Large-cap growth funds	185,963	185,963	-	-
Small-cap value funds	236,983	236,983	-	-
Short-term bond funds	1,068,246	1,068,246	-	-
Intermediate-term bond funds	799,768	799,768	-	-
Assets held by others	339,049	-	-	339,049
Total	$ 7,369,056	$ 7,030,007	$ -	$ 339,049

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

July 1, 2014	$ 316,377
Contribution	-
Adjustment to present value	8,483
June 30, 2015	$ 324,860

Fair value for the assets held by others (Level 3) is determined by management's judgment to approximate the present value of the future distributions expected to be received.

MENDOCINO COLLEGE
Foundation

Mendocino College Foundation, Inc.

Finance Committee

Meetings Schedule for the Year 2017

PROPOSED

Following is a list of Mendocino College Foundation, Inc. Finance Committee meetings scheduled for the year 2017. Meetings are held at the Ukiah Campus, 1000 Hensley Creek Road, Ukiah, California and are open to the public

Day/Month	Time	Location
Tuesday, February 7, 2017	3:00 p.m.	Library/Learning Center Room 4134
Tuesday, April 4, 2017	3:00 p.m.	Library/Learning Center Room 4134
Tuesday, August 1, 2017	3:00 p.m.	Library/Learning Center Room 4134
Tuesday, December 5, 2017	3:00 p.m.	Library/Learning Center Room 4134