

# **Mendocino College Foundation, Inc.**

**Ukiah, California**

**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT**

**June 30, 2016**



**K · C O E  
I S O M**

# Mendocino College Foundation, Inc.

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June 30, 2016

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## 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; 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.

*KCae Team, LLP*

December 5, 2016  
Redding, California

# Mendocino College Foundation, Inc.

## STATEMENT OF FINANCIAL POSITION

June 30, 2016

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### 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

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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>9,059,191</b>
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### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$	4,943
Deferred revenue		24,500

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<b>Total Liabilities</b>		<b>29,443</b>
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#### Net Assets

Unrestricted net assets		6,573,151
Temporarily restricted net assets		764,653
Permanently restricted net assets		1,691,944

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<b>Total Net Assets</b>		<b>9,029,748</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>9,059,191</b>
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*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
<b>Revenues, Gains, and Other Support</b>				
Special events (Gala):				
Gross revenue	\$ 145,369	\$ -	\$ -	\$ 145,369
Less: Event expenses	(45,051)	-	-	(45,051)
<b>Total Special Events</b>	100,318	-	-	100,318
<b>Contributions</b>				
	25,634	345,577	70,989	442,200
Investment return (loss):				
Interest and dividends	241,563	78,175	-	319,738
Net investment realized and unrealized gains (losses)	(46,902)	1,543	-	(45,359)
Realized loss on sale of land	(12,578)	-	-	(12,578)
Net assets released from restrictions	322,079	(322,079)	-	-
<b>Total Revenues, Gains, and Other Support</b>	630,114	103,216	70,989	804,319
<b>Expenses</b>				
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
<b>Total Program Services</b>	540,353	-	-	540,353
Supporting services:				
Management and general	205,043	-	-	205,043
Fundraising	178,647	-	-	178,647
<b>Total Supporting Services</b>	383,690	-	-	383,690
<b>Total Expenses</b>	924,043	-	-	924,043
<b>Change in Net Assets</b>	(293,929)	103,216	70,989	(119,724)
<b>Net Assets - Beginning of Year</b>	6,867,080	661,437	1,620,955	9,149,472
<b>Net Assets - End of Year</b>	\$ 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

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### 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:	
Reinvested interest and dividends	(319,854)
Realized and unrealized net gain on investments	47,184
Realized gain on sale of land	12,578
Changes in:	
Other assets	611
Assets held by others	(14,189)
Accounts payable	2,083
Deferred revenue	(23,310)

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<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(414,621)</b>
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### 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)

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<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>370,649</b>
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<b>Net Decrease in Cash</b>	<b>(43,972)</b>
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<b>Cash - Beginning of Year</b>	<b>70,589</b>
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<b>Cash - End of Year</b>	<b>\$ 26,617</b>
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*The accompanying notes are an integral part of these financial statements.*

# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

## Mendocino College Foundation, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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.

## Mendocino College Foundation, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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*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.

# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 December 5, 2016, 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	Evelyn Foote Fund	Foundation Trust Fund	Halliday Fund	Salmen Fund	Perpetual Fund	AAFG Fund	Bogner Fund	Total
Money market funds	\$ 298	\$ 126,705	\$ 495	\$ 1,225	\$ 577	\$ 17,363	\$ 2,240	\$ 148,903
Mutual funds	1,142,501	4,904,283	208,550	37,519	310,945	241,792	35,514	6,881,104
<b>Total Investments</b>	<b>\$ 1,142,799</b>	<b>\$ 5,030,988</b>	<b>\$ 209,045</b>	<b>\$ 38,744</b>	<b>\$ 311,522</b>	<b>\$ 259,155</b>	<b>\$ 37,754</b>	<b>\$ 7,030,007</b>

# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 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 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 addition, 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

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#### 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
<b>Balance Forward</b>	<b>\$</b>	<b>207,801</b>

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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

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<b>Balance Brought Forward</b>	\$	207,801
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### **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. 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.

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<b>Balance Forward</b>	\$	268,874
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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

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<b>Balance Brought Forward</b>	\$ 268,874
<b>FOUNDATION AFFILIATE ORGANIZATIONS</b>	
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 Mendocino 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
<b>Sub-Total Foundation Affiliate Organizations</b>	<b>83,408</b>
<b>MARY OOSTING FINE ARTS SCHOLARSHIP</b>	
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
<b>VARIOUS SCHOLARSHIPS</b>	
Miscellaneous scholarships.	7,325
<b>HALLIDAY PERPETUAL SCHOLARSHIP</b>	
See note 6 Endowments for explanation.	34,545
<b>EVELYN FOOTE TRUST</b>	
See note 6 Endowments for explanation.	339,257
<b>SALMEN FAMILY SCHOLARSHIP</b>	
See note 6 Endowments for explanation.	6,244
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 764,653</b>

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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 6. PERMANENTLY RESTRICTED NET ASSETS

June 30, 2016

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#### **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

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#### **Balance Forward**

\$ 1,018,905

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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

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<b>Balance Brought Forward</b>	\$ 1,018,905
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### **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

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<b>Balance Forward</b>	\$ 1,501,590
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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2016

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<b>Balance Brought Forward</b>	\$ 1,501,590
 <b>WALLACE MEEK PEREZ SCHOLARSHIP</b>	
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
 <b>JOHN BOGNER FINE ARTS SCHOLARSHIP</b>	
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
 <b>ROBERT AND MARLYS BLANC SCHOLARSHIP</b>	
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.	12,925
 <b>LARUE KORBIN SCHOLARSHIP</b>	
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
<b>Total Permanently Restricted Net Assets</b>	<b>\$ 1,691,944</b>

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# Mendocino College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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
<b>Total Endowment at June 30, 2015</b>	<b>\$ 4,912,458</b>	<b>\$ 764,653</b>	<b>\$ 1,691,944</b>	<b>\$ 7,369,055</b>
<b>Endowment Net Assets - Beginning of Year</b>	<b>\$ 4,565,851</b>	<b>\$ 661,437</b>	<b>\$ 1,620,955</b>	<b>\$ 6,848,243</b>
Contributions	25,634	345,577	70,989	442,200
Interest and dividends	241,563	78,175	-	319,738
Net realized and unrealized gains (losses)	(46,902)	1,543	-	(45,359)
Amounts appropriated for expenditures	126,196	(322,079)	-	(195,883)
<b>Endowment Net Assets - End of Year</b>	<b>\$ 4,912,342</b>	<b>\$ 764,653</b>	<b>\$ 1,691,944</b>	<b>\$ 7,368,939</b>

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	-
<b>Total Management, General, and Fundraising Expenses</b>	<b>\$ 205,043</b>	<b>\$ 178,647</b>

## **Mendocino College Foundation, Inc.**

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### **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.

## Mendocino College Foundation, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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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	Level 1	Level 2	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	-	-
<b>Total</b>	<b>\$ 7,030,007</b>	<b>\$ 7,030,007</b>	<b>\$ -</b>	<b>\$ -</b>