MONROE COMMUNITY COLLEGE FOUNDATION, INC.

Consolidated Financial Statements as of
August 31, 2018 and 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 13, 2018

To the Board of Directors
Monroe Community College Foundation, Inc.:

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Monroe Community College Foundation, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

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

171 Sully's Trail
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the 2018 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monroe Community College Foundation, Inc., as of August 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The 2017 summarized comparative information has been derived from the consolidated financial statements of Monroe Community College Foundation, Inc., which was audited by other auditors whose report dated November 1, 2017, expressed an unmodified opinion on those statements.

Bonadio & Co., LLP

MONROE COMMUNITY COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Cash and cash equivalents	$ (30,251)	$ 594,967	$ 137,033	$ 701,749	$ 1,175,916
Funds held for deferred giving	98,271	-	-	98,271	100,828
Investments	-	5,385,793	10,219,603	15,605,396	12,411,288
Interfund activity	(787,657)	787,657	-	-	-
Pledges receivable, net of allowance for uncollectible pledges of $155,000 and $163,000, respectively	337,797	3,246,411	4,113,194	7,697,402	2,766,521
Accrued interest on pledges receivable	903	39,157	26,795	66,855	33,607
Prepaid expenses and other assets	49,763	-	-	49,763	39,733
Fixed assets, net	7,305	-	-	7,305	24,336
Real estate held for sale	-	85,000	-	85,000	85,000
Total assets	$ (323,869)	$ 10,138,985	$ 14,496,625	$ 24,311,741	$ 16,637,229
LIABILITIES AND NET ASSETS (DEFICIT)					
LIABILITIES:					
Due to College	$ 525,427	$ -	$ -	$ 525,427	$ 488,353
Other accounts payable	83,865	-	-	83,865	79,060
Deferred giving obligations	35,658	-	-	35,658	33,976
Deferred revenue	42,500	-	-	42,500	55,000
Total liabilities	687,450	-	-	687,450	656,389
NET ASSETS (DEFICIT):					
Unrestricted	(1,011,319)	-	-	(1,011,319)	(795,348)
Temporarily restricted	-	10,138,985	-	10,138,985	6,458,594
Permanently restricted	-	-	14,496,625	14,496,625	10,317,594
Total net assets (deficit)	(1,011,319)	10,138,985	14,496,625	23,624,291	15,980,840
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ (323,869)	$ 10,138,985	$ 14,496,625	$ 24,311,741	$ 16,637,229

The accompanying notes are an integral part of these statements.

MONROE COMMUNITY COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
PUBLIC SUPPORT AND REVENUE:					
Public Support:					
Gifts, donations, and pledges	$ 450,964	$ 6,057,415	$ 4,189,160	$ 10,697,539	$ 3,173,238
Gifts in kind	97,638	44,668	-	142,306	166,280
Discounts on pledges	1,083	18,683	25,453	45,219	12,515
Total public support	549,685	6,120,766	4,214,613	10,885,064	3,352,033
Revenue:					
Interest and dividends	1,169	230,759	-	231,928	157,890
Unrealized and realized gain on investments, net	-	481,221	-	481,221	953,632
Contributed services	146,684	-	-	146,684	185,835
Special events	545,216	-	-	545,216	466,965
Management fee	630,969	-	-	630,969	311,461
Total revenue	1,324,038	711,980	-	2,036,018	2,075,783
Net assets released from restrictions	2,556,968	(2,556,968)	-	-	-
Total public support and revenue	4,430,691	4,275,778	4,214,613	12,921,082	5,427,816
EXPENSES:					
Payroll and fringe benefits	1,174,215	-	-	1,174,215	1,216,674
Management and general	385,151	617,506	13,463	1,016,120	784,605
Special events	216,889	-	-	216,889	193,948
Uncollectible accounts	49,841	-	-	49,841	66,827
Public relations	87,917	-	-	87,917	76,550
Professional services	53,359	-	-	53,359	18,323
Depreciation	17,031	-	-	17,031	19,471
Total expenses	1,984,403	617,506	13,463	2,615,372	2,376,398
PUBLIC SUPPORT AND REVENUE OVER EXPENSES	2,446,288	3,658,272	4,201,150	10,305,710	3,051,418
OTHER ITEMS:					
Support to College	(2,617,591)	-	-	(2,617,591)	(3,122,567)
Transfer of donated property	(44,668)	-	-	(44,668)	(12,165)
Pledge write-off	-	-	-	-	(500,000)
Loss on abandonment of assets	-	-	-	-	(2,440)
Restriction reclass	-	22,119	(22,119)	-	-
Total other items	(2,662,259)	22,119	(22,119)	(2,662,259)	(3,637,172)
CHANGE IN NET ASSETS (DEFICIT)	(215,971)	3,680,391	4,179,031	7,643,451	(585,754)
NET ASSETS (DEFICIT) - beginning of year	(795,348)	6,458,594	10,317,594	15,980,840	16,566,594
NET ASSETS (DEFICIT) - end of year	$ (1,011,319)	$ 10,138,985	$ 14,496,625	$ 23,624,291	$ 15,980,840

MONROE COMMUNITY COLLEGE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 7,643,451	$ (585,754)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Uncollectible accounts	49,841	66,827
Depreciation	17,031	19,471
Unrealized and realized gain on investments, net	(481,221)	(953,632)
Pledge write-off	-	500,000
Loss on abandonment of assets	-	2,440
Changes in:		
Pledges receivable	(4,980,722)	995,640
Accrued interest on pledges receivable	(33,248)	2,889
Prepaid expenses and other assets	(10,030)	27,833
Due to College	37,074	(58,604)
Other accounts payable	4,805	31,427
Deferred giving obligations	1,682	3,089
Deferred revenue	(12,500)	(4,000)
Net cash flow from operating activities	2,236,163	47,626
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,232,887)	(805,671)
Proceeds from sale of investments	520,000	1,300,000
Purchases of fixed assets	-	(12,619)
Net cash flow from investing activities	(2,712,887)	481,710
NET CHANGE IN CASH AND CASH EQUIVALENTS	(476,724)	529,336
CASH AND CASH EQUIVALENTS - beginning of year	1,276,744	747,408
CASH AND CASH EQUIVALENTS - end of year	$ 800,020	$ 1,276,744

	2018	2017
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 701,749	$ 1,175,916
Funds held for deferred giving	98,271	100,828
	$ 800,020	$ 1,276,744

The accompanying notes are an integral part of these statements.

1. NATURE OF THE ORGANIZATION

Monroe Community College Foundation, Inc. (the "Organization") was established to solicit, receive, and maintain funds exclusively for the benefit of Monroe Community College (the "College"). The accompanying consolidated financial statements include the accounts of MCC Holdings, LLC. MCC Holdings, LLC (the "Company") is a limited liability company with the Organization as its sole member. The Company was established to accept gifts of real property on the Organization's behalf. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, and as the Organization has a majority interest in the Company, its financial results have been consolidated into the financial statements of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of the Organization and the Company (collectively, the "Foundation"). Intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the ASC 958-205. Under ASC 958-205, the Foundation is required to report information regarding its net assets and changes therein in the following categories:

Unrestricted
Unrestricted net assets represent resources over which the Board of Directors (the "Board") has discretionary control and are used to carry out the general activities and operations of the Foundation.

Temporarily Restricted
Temporarily restricted net assets represent resources which are restricted as to use by the donor or grantor for specific purposes or period of time. Temporarily restricted net assets were restricted either due to specific program support, scholarships or as a result of the requirements of the New York State Prudent Management of Institutional Funds Act (NYPMIFA) and at August 31, 2018 and 2017, consisted of $10,138,985 and $6,458,594, respectively.

Permanently Restricted
Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for scholarships or specific programs. Permanently restricted net assets at August 31, 2018 and 2017 consisted of $14,496,625 and $10,317,594, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates
The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 the purpose of the consolidated statements of financial position and cash flows, cash and cash equivalents include deposits and money market funds with original maturities of three months or less. The Foundation maintains cash and cash equivalents which periodically may exceed federally insured amounts at financial institutions. The Foundation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

Funds Held for Deferred Giving
The Foundation's funds held for deferred giving consist of gift annuities. Issuance of gift annuities is regulated by New York State Insurance Law which requires that the Foundation maintain a gift annuity reserve fund. This fund must maintain assets at least equal to the deferred giving obligation liability plus a prescribed layer of surplus funds. The Foundation's funds held for deferred giving are invested at a regional financial institution, managed by the Foundation and exceed the minimum reserve requirement for both the years ended August 31, 2018 and 2017. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of assets and changes in the estimated present value of future cash outflows and other changes in the estimates of future benefits. The annuities and deferred giving obligations represent the net present value of future cash outflows over the beneficiary's life expectancy as required by the deferred gift agreements. The discount rate was 5.8%.

Investments
In accordance with ASC 320, the Foundation is required to report investments in equity securities with readily determinable fair values and all debt securities at fair value, with gains and losses reflected in the consolidated statements of activities. Investment income and gains and losses from the sale or other disposition of investments are accounted for in accordance with specific donor instructions. In the absence of such instructions, investment income and gains and losses are accounted for in unrestricted net assets. Investment securities are exposed to various risks, such as interest rate risk, market and credit risk. In addition, estimated fair value of certain alternative investments, such as private equity partnerships, is based on valuations provided by the external investment managers. The Foundation believes the carrying amounts of these financial instruments are a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Due to the risks associated with investment securities and the uncertainty related to changes in the fair market value of investment securities, it is at least reasonably possible that changes in fair market value could affect the net assets of the Foundation.

ASC 820 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The fair value of investments is disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges, less an allowance for uncollectible accounts, are generally recorded as receivables in the year made. The allowance is determined by management's review of old outstanding pledges as well as the application of estimates to several categories of pledges in order to determine the allowance. Based on this analysis management has established the allowance at August 31, 2018 and 2017 at $155,000 and $163,000, respectively. See Note 5 for further information regarding long-term discounted pledges receivable.

Fixed Assets

Furniture, fixtures and equipment is stated at cost if purchased or at fair market value if donated. The Foundation capitalized assets in excess of $1,000. Depreciation is provided using the straight-line method over the assets' estimated useful lives which range from three to ten years.

Real Estate Held for Sale

Real estate held for sale consists of land and a building that were donated to the Company on the Foundation's behalf. The financial statements follow FASB ASC 360-10-05, which requires long-lived assets classified as held for sale to be measured at the lower of its carrying amount or fair value less cost to sell. Accordingly, the real estate held for sale is maintained at its carrying amount.

Endowment

The Foundation's endowment was established by donations made directly to the Foundation. As required by generally accepted accounting principles (GAAP), net assets· associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 NYPMIFA. See Note 7 for endowment detail.

In accordance with NYPMIFA, 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 fund
2. The purposes of the organization and the donor-restricted endowment fund
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 organization
7. Alternatives to expenditure of the endowment fund
8. The investment policies of the organization

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts in Kind

The Foundation received donated equipment and supplies at estimated fair market values, as determined by the donor, totaling $142,306 and $166,280 in 2018 and 2017, respectively. The Foundation transferred $44,668 and $12,165 of this equipment to the College during 2018 and 2017, respectively.

Contributed Services

The College contributes the services of certain employees to the Foundation, as well as other miscellaneous services and general office expenditures. The estimated value of these services was $146,684 and $185,835 for the years ended August 31, 2018 and 2017, respectively. These amounts are reflected as contributed services revenue and then broken down into the related expenses in the accompanying consolidated statement of activities.

Support to College and Related Programs

The Foundation annually transfers monies and donated property to the College and affiliated organizations. These monies represent funds restricted for scholarships, faculty enrichment, capital needs, departmental support, and College advancement. At August 31, 2018 and 2017, these funds amounted to $2,617,591 and $3,122,567, respectively.

Income Taxes

The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Reclassification

Certain reclassifications have been made to the consolidated financial statements for the year ended August 31, 2017. These reclassifications are for comparative purposes only and have no effect on net assets or change in net assets as originally reported.

3. INVESTMENTS

Investments consist of the following at August 31:

	2018	2017
Exchange-traded products	$ 1,780,385	$ 2,913,594
Fixed income	3,000,002	-
Mutual funds	6,925,022	5,757,370
Alternative investments	3,899,987	3,740,324
Total investments	$ 15,605,396	$ 12,411,288

3. INVESTMENTS (Continued)

Investment return included in the consolidated statement of activities for the years ended August 31, consisted of the following:

	2018	2017
Interest and dividends	$ 231,928	$ 157,890
Unrealized gain	$ 117,128	$ 995,555
Realized gain (loss)	$ 364,093	$ (41,923)

4. FAIR VALUE MEASUREMENTS

ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2018 and 2017:

Exchange-traded products and fixed income - Valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

The Foundation valued alternative investments utilizing the net asset value (NAV) reported by each of the limited partnership funds as a practical expedient for determining the fair value of these investments. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements.

Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Foundation's interest in the funds.

4. **FAIR VALUE MEASUREMENTS (Continued)**

The preceding methods described 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.

The following are measured at fair value on a recurring basis at August 31, 2018:

	Level 1	Level 2	Level 3	Total
Exchange-traded products	$ 1,780,385	$ -	$ -	$ 1,780,385
Fixed income	3,000,002	-	-	3,000,002
Mutual funds	6,925,022	-	-	6,925,022
Total investments, at fair value	$ 11,705,409	$ -	$ -	11,705,409
Investments, measured using net asset value as a practical expedient				3,899,987
Total investments				$ 15,605,396

The following are measured at fair value on a recurring basis at August 31, 2017:

	Level 1	Level 2	Level 3	Total
Exchange-traded products	$ 2,913,594	$ -	$ -	$ 2,913,594
Mutual funds	5,757,370	-	-	5,757,370
Total investments, at fair value	$ 8,670,964	$ -	$ -	8,670,964
Investments, measured using net asset value as a practical expedient				3,740,324
Total investments				$ 12,411,288

4. FAIR VALUE MEASUREMENTS (Continued)

The following represents the nature and risk of alternative investments, which by nature are illiquid and contain redemption provisions, for the years ended August 31:

	2018 Net Asset Value	2017 Net Asset Value	Unfunded Commitment	Redemption Provisions
FEG Absolute Access Fund I, LLC	$ 1,943,940	$ 1,287,968	$ -	Redemptions are allowed on a semi-annual basis on June 30 and December 31. Required notice of redemption is 95 days.
FEG Private Opportunities Fund II, LP	1,564,524	1,102,825	530,000	Not applicable – private capital investment
FEG Private Opportunities Fund III, LP	187,391	65,166	345,000	Not applicable – private capital investment
FEG Directional Access TEI Fund, LLC	204,132	1,284,365	-	Currently being liquidated with approximately 85% already distributed. The remainder of the funds are expected to be distributed over the next 3 years.
	$ 3,899,987	$ 3,740,324	$ 875,000	

It is the Foundation's policy to allocate to operations a management fee on temporarily restricted donations. This fee is approved by the Foundation's Investment Committee at a rate which shall not exceed 10%, and provides support for recordkeeping, regulatory filings and investment management costs related to these donations. The rate applied in 2018 and 2017 was 5% and 4.5%, respectively.

5. PLEDGES RECEIVABLE

The Foundation has pledges on which payment is to be received over the next several years. The pledges have been discounted to their net present value assuming a 1% discount rate on the date the pledge is received and are classified as pledges receivable on the consolidated statement of financial position. Pledges receivable consisted of the following at August 31, 2018:

Receivable in 2019	$ 2,323,230
Receivable in 2020	1,538,145
Receivable in 2021	1,246,018
Receivable in 2022	1,236,725
Receivable in 2023	594,570
Thereafter	1,178,007
Subtotal	8,116,695
Less: Discount of pledges receivable at 1%	(197,438)
Less: Allowance for uncollectible pledges	(155,000)
Total	$ 7,764,257
Pledge receivable, net	$ 7,697,402
Accrued interest on pledge receivable	66,855
Total	$ 7,764,257

6. FIXED ASSETS

Fixed assets consisted of the following at August 31:

	2018	2017
Computer equipment	$ 63,939	$ 63,939
Office furniture	615	615
Office improvements	21,340	21,340
	85,894	85,894
Less: Accumulated depreciation	(78,589)	(61,558)
Fixed assets, net	$ 7,305	$ 24,336

Depreciation expense was $17,031 and $19,471 for the years ended August 31, 2018 and 2017, respectively.

7. ENDOWMENTS

The Foundation's endowment consists of 139 and 131 individual funds as of August 31, 2018 and 2017, respectively, established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Foundation has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

The balances of the endowments as of August 31 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
2018	$2,676,439	$10,383,431	$ 13,059,870
2017	$2,630,240	$10,113,571	$ 12,743,811

Changes in endowment net assets consisted of the following as of and for the years ended August 31:

	Temporarily Restricted	Permanently Restricted	Total
Balance as of September 1, 2016	$ 2,212,175	$ 9,815,075	$ 12,027,250
Investment income	944,083	-	944,083
Contributions	-	284,876	284,876
Appropriation for expenditures	(526,018)	-	(526,018)
Transfers - endowments	-	13,620	13,620
Balance as of August 31, 2017	$ 2,630,240	$ 10,113,571	$ 12,743,811
Investment income	605,132	-	605,132
Contributions	-	305,442	305,442
Appropriation for expenditures	(558,933)	-	(558,933)
Management fee	-	(13,463)	(13,463)
Transfers - endowment	-	(22,119)	(22,119)
Balance as of August 31, 2018	$ 2,676,439	$ 10,383,431	$ 13,059,870

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of August 31, 2018 and 2017.

7. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The Foundation's primary objective is to preserve the real (inflation-adjusted) purchasing power of the portfolio while providing a relatively predictable, constant and stable stream of earnings· for current spending. The Foundation expects its endowment funds to provide an annual average total return, net of investment management fees, of approximately 6.0% - 7.0%.

Strategies Employed for Achieving Objectives

The Foundation's investment objective and spending policy are based on total return, which is the sum of investment income and capital appreciation less all investment management costs. The Foundation's investment portfolio is expected to generate returns that are comparable to the returns in the capital market. Performance will be measured at quarterly intervals and calculated on a time-weighted total return basis. In pursuing the overall objective of maximizing total investment return relative to appropriate risk, the endowment funds shall maintain a diversified portfolio of global equities between 30% - 70%, global fixed income/credit between 10% - 40%, real assets between 0% - 30% and diversifying strategies between 0% - 30%.

Spending Policy and How the Investment Objectives Related to Spending Policy

The Foundation's annual spending rate shall not exceed 7% of the fair market value of the portfolio, calculated on the basis of market values determined quarterly and averaged over a period of five years immediately preceding the year in which the appropriation is made. The spending rate will be determined fund by fund, on an annual basis. If the endowed fund’s principal is less than historic dollar value, and it is deemed prudent by the Investment Committee and the Foundation board, awards may be paid by dividends or interest income attributed to the fund, or from unrestricted Foundation funds. The Foundation utilizes a total return approach to investments and distributes to operations an amount of investment income based on a percentage specified by the Foundation’s Investment Committee. For the years ended August 31, 2018 and 2017, this management fee was 1.75% and 2%, respectively, of permanently restricted net assets. New this fiscal year is a one-time gift fee on endowed funds at a rate of 5%. Accordingly, donors have an opportunity to restrict 95% of their gift made with the remaining balance applied to support the mission of the Foundation.

8. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31 are as follows:

	2018	2017
Endowment	$ 2,676,439	$ 2,630,240
Scholarships	1,259,356	1,024,521
Program support	4,533,158	1,129,086
Capital purposes	1,670,032	1,674,747
Temporarily restricted net assets	$ 10,138,985	$ 6,458,594

Net assets were released from restriction for program support, scholarships, and capital purposes.

Permanently restricted net assets at August 31 are as follows:

	2018	2017
Endowment	$ 10,383,431	$ 10,113,571
Pledges receivable	4,113,194	204,023
Permanently restricted net assets	$ 14,496,625	$ 10,317,594

9. INSTITUTIONALLY RELATED TRANSACTIONS

Due to College consists primarily of scholarships, payroll, and general and administrative expenses payable to the College. At August 31, 2018 and 2017, the balance due was $525,427 and $488,353, respectively.

On March 19, 2015, the Board of Directors of Monroe Community College Association, Inc. (“MCCA”), a subsidiary entity of the College, approved an expenditure of $1,800,000 in support of the new downtown campus to be used solely for the bookstore and dining facilities. During the year ended August 31, 2017, $1,300,000 was paid for the downtown campus. It was determined that the remaining $500,000 was not required to fund the downtown campus. The balance of $500,000 was written off during the year ended August 31, 2017 and is classified as “Pledge write-off” on the consolidated statements of activities. No balance remains receivable from MCCA as of August 31, 2018 or August 31, 2017. The new downtown campus opened in September 2017.

10. FUNCTIONAL EXPENSES

The Foundation’s expenses by function for the years ended August 31, 2018 and 2017 were as follows.

	2018	2017
Program	$ 3,563,894	$ 4,091,132
Management and general	1,361,473	1,557,436
Fundraising	352,264	365,002
Total functional expenses	$ 5,277,631	$ 6,013,570

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2018, which is the date the consolidated financial statements were available to be issued.