



CLOVER PARK TECHNICAL COLLEGE

**FOUNDATION**

**Empower. Invest. Grow.**

Audited Financial Statements

December 31, 2018 and 2017

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

Audited Financial Statements

December 31, 2018 and 2017

INDEPENDENT AUDITOR’S REPORT ..... 1-2

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position ..... 3-4

Statement of Activities with Summarized  
Comparative Totals for 2017 ..... 5

Statements of Functional Expenses ..... 6-7

Statements of Cash Flows..... 8

Notes to Financial Statements ..... 9-24

## Independent Auditor's Report

To the Board of Directors  
Clover Park Technical College Foundation  
Lakewood, Washington

We have audited the accompanying financial statements of Clover Park Technical College Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statement of activities for the year ended December 31, 2018 the statements of functional expenses and cash flows for the years ended December 31, 2018 and 2017, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 auditor considers internal control relevant to the entity'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 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 financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clover Park Technical College Foundation as of December 31, 2018 and 2017, and the changes in its net assets for the year ended December 31, 2018, and its functional expenses and cash flows for the years ended December 31, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Clover Park Technical College Foundation's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The Doty Group, P.S.*

**THE DOTY GROUP, P.S.**

Tacoma, Washington  
November 18, 2019

AUDITED FINANCIAL STATEMENTS

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 436,229	\$ 421,358
Accounts receivable	628	996
Current portion of pledges receivable	2,500	600
Inventory held for sale		1,385
Prepaid expenses	<u>1,064</u>	<u>566</u>
Total Current Assets	440,421	424,905
OTHER ASSETS		
Pledges receivable, net of current portion and allowance for uncollectible pledges	75,000	81,250
Assets held in charitable remainder trust	55,935	66,557
Donated goods inventory	118,985	43,260
Cash restricted to endowment	22,795	
Investments	<u>1,009,021</u>	<u>1,060,850</u>
Total Other Assets	1,281,736	1,251,917
Total Assets	<u>\$ 1,722,157</u>	<u>\$ 1,676,822</u>

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

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,797	\$ 1,206
Total Current Liabilities	8,797	1,206
LIABILITY UNDER TRUST AGREEMENT	<u>27,984</u>	<u>31,004</u>
Total Liabilities	36,781	32,210
NET ASSETS		
Net assets without donor restrictions		
Undesignated	72,813	41,296
Board-designated	<u>131,850</u>	<u>65,171</u>
Total	204,663	106,467
Net assets with donor restrictions	<u>1,480,713</u>	<u>1,538,145</u>
Total Net Assets	<u>1,685,376</u>	<u>1,644,612</u>
Total Liabilities and Net Assets	<u>\$ 1,722,157</u>	<u>\$ 1,676,822</u>

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2018 With Summarized Comparative Totals for 2017

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Contributions	\$ 77,106	\$ 161,929	\$ 239,035	\$ 219,810
Donated goods and services	419,545		419,545	251,360
Investment income (loss), net	922	(84,809)	(83,887)	145,348
Total Support and Revenue	497,573	77,120	574,693	616,518
Net assets released from restriction and reclassifications	134,552	(134,552)		
Total Support, Revenue and Reclassifications	632,125	(57,432)	574,693	616,518
<b>EXPENSES</b>				
Program services:				
Scholarships and grants	109,050		109,050	110,657
Program specific support	250,319		250,319	223,894
Total Program Services	359,369		359,369	334,551
Supporting services:				
General and administrative	125,792		125,792	151,432
Fundraising	48,768		48,768	33,768
Total Supporting Services	174,560		174,560	185,200
Total Expenses	533,929		533,929	519,751
Change in Net Assets	98,196	(57,432)	40,764	96,767
<b>NET ASSETS AT BEGINNING OF YEAR</b>				
	106,467	1,538,145	1,644,612	1,547,845
<b>NET ASSETS AT END OF YEAR</b>				
	\$ 204,663	\$ 1,480,713	\$ 1,685,376	\$ 1,644,612

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



## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	2018				
	Program Services		Supporting Services		Total
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 34,409			\$ 34,409
Bank service charges			\$ 1,143	\$ 2,297	3,440
Board meeting and college promotion		5,162	505		5,667
Donated goods expense		8,066		21,392	29,458
Donated services expense		132,197	101,573	17,940	251,710
Donor recognition			268	200	468
Emergency grants	\$ 15,335				15,335
Insurance			2,124		2,124
License and permits			115		115
Loss on uncollectible pledges		6,470			6,470
Meals			19	908	927
Purchased services			19,500	1,591	21,091
Scholarship awards	93,715				93,715
Software maintenance			13	2,543	2,556
Supplies			528	1,897	2,425
Transfers to CPTC		64,015			64,015
Travel			4		4
<b>Total Expenses</b>	<b>\$ 109,050</b>	<b>\$ 250,319</b>	<b>\$ 125,792</b>	<b>\$ 48,768</b>	<b>\$ 533,929</b>

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

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Years Ended December 31, 2018 and 2017

	2017				
	Program Services		Supporting Services		Total
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 67,726			\$ 67,726
Bank service charges			\$ 1,110		1,110
Board meeting and college promotion		4,581	633		5,214
Donated goods expense		270	298	\$ 9,710	10,278
Donated services expense		106,879	117,680	11,260	235,819
Donor recognition			582		582
Dues and subscriptions			232		232
Emergency grants	\$ 15,566				15,566
Faculty and staff awards	1,000				1,000
Insurance			2,118		2,118
License and permits			850		850
Loss on uncollectible pledges		35,973			35,973
Marketing			7		7
Miscellaneous		1,001		409	1,410
Purchased services			18,897	12,225	31,122
Scholarship awards	94,091				94,091
Software maintenance		3,545	8,625		12,170
Supplies				164	164
Training			394		394
Transfers to CPTC		3,919			3,919
Travel			6		6
Total Expenses	\$ 110,657	\$ 223,894	\$ 151,432	\$ 33,768	\$ 519,751

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

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 40,764	\$ 96,767
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized (gain) loss on investments, net	91,852	(127,351)
Loss on uncollectible pledges	6,470	35,973
Contributions restricted to endowment	(36,826)	(20,479)
(Increase) decrease in assets:		
Accounts receivable	368	1,197
Inventory held for sale	1,385	2,606
Prepaid expenses	(498)	8,371
Pledges receivable	(2,120)	14,771
Donated goods inventory	(75,725)	4,299
Cash restricted to endowments	(22,795)	
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>7,591</u>	<u>(799)</u>
Net Cash Provided by Operating Activities	10,466	15,355
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	251,340	965,424
Purchases of investments	(291,363)	(952,504)
Change in charitable remainder trust, net	7,602	(7,506)
Withdrawal from charitable remainder trust	<u>5,676</u>	<u>5,676</u>
Net Cash Provided (Used) by Investing Activities	<u>(26,745)</u>	<u>11,090</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from endowment contributions	36,826	20,479
Payments to beneficiary of charitable remainder trust	<u>(5,676)</u>	<u>(5,676)</u>
Net Cash Provided by Investing Activities	31,150	14,803
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>14,871</u>	<u>41,248</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>421,358</u>	<u>380,110</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 436,229</u>	<u>\$ 421,358</u>

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

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Description of Organization***

Clover Park Technical College Foundation (the Foundation) is a nonprofit organization dedicated to the needs of Clover Park Technical College (the College) students and programs. Established in 1992, the Foundation is overseen by a volunteer board of up to 24 members from the surrounding community and industries which are served by the College. The Foundation's mission is to raise funds for the College to better enable the College to provide students with the knowledge, skills and values necessary to succeed in the workforce of today and tomorrow. The Foundation's office is located in Lakewood, Washington.

##### ***Agreement with Clover Park Technical College***

The Foundation operates under a Memorandum of Understanding (MOU), which began in 1993 and was updated in February 2015. The MOU allows the Foundation to raise and hold economic resources for the direct benefit of the College, which is a governmental unit. In exchange, the College provides the Foundation with resources to operate the Foundation (see Note 11). Due to the significance of the financial relationship with the College, in accordance with Governmental Accounting Standards Board (GASB) No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB No. 14, the Foundation is included as a component unit in the College's comprehensive annual financial report. Funds of the Foundation are neither subject to the State of Washington appropriation process nor are held in the State treasury and are not owned by the State.

##### ***Basis of Presentation***

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) industry topic applicable to Not-for-Profit Entities. In accordance with the FASB ASC topic, the Foundation reports information regarding its financial position and activities according to two classes of net assets:

##### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions.

##### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events as specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

##### ***Basis of Presentation*** (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

##### ***New Accounting Pronouncement***

###### Presentation of Financial Statements of Not-for-Profit Entities

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

The new standards change the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

In addition, certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2019 financial statements.

##### ***Cash and Cash Equivalents***

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### ***Pledges Receivable***

The Foundation's annual fund pledges are contributions from individuals and corporations which are available for general and specific use. The pledges are recorded as temporarily restricted if the donor designates that the pledge is to be used for operations in a future period. The Foundation provides for losses on pledges receivable using the allowance method. The allowance for uncollectible pledges was \$26,563 and \$29,793 at December 31, 2018 and 2017, respectively. The allowance is based on an analysis of specific donors, taking into consideration the age of past due amounts. It is the Foundation's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

#### ***Investments***

Investments are stated at fair value. The Foundation follows the investment objectives and spending guidelines contained in a formal investment policy for the endowment account. All gains (losses) and investment income (loss) are recorded as unrestricted if the restriction is met (either the stipulated time period ends or a purpose restriction is accomplished) in the same reporting period in which the investment income and gains (losses) are recognized.

#### ***Allocation of Investment Income***

Realized and unrealized gains and losses from securities in the pooled endowment investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts, such as for scholarships and grants awarded.

#### ***Donated Services and Facilities***

In consideration of the Foundation's efforts on behalf of Clover Park Technical College, the College has agreed to provide the Foundation office space, furniture and equipment, supplies, and the use of certain services available through the College's resources. Clover Park Technical College also provides staff services to the Foundation including the Executive Director and support staff. The College's budgeted value of these support services was \$235,000 for both years ended December 31, 2018 and 2017, which may differ from the actual support provided to the Foundation (see Note 11) for support received from the College.

The Foundation receives a substantial amount of services from volunteers. No amounts have been reflected in the financial statements for those noncash services since they do not meet the criteria for recognition. However, the volunteer services are an important part of the Foundation's program services and other activities.

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

#### ***Split Interest Agreement***

The charitable remainder trust designates the Foundation as both the trustee and remainder beneficiary (see Note 5). The Foundation is required to ensure payment is made to the donor (or another donor-designated income beneficiary) during the beneficiary's life. Trust assets are measured at fair value when received, and are carried by the Foundation at fair value. A corresponding trust liability is measured at the present value of expected future cash flows to be paid to the beneficiary, computed using applicable discount rates. Upon death of all beneficiaries, substantially all of the principal balance will pass to the Foundation to be used in accordance with the donor's wishes.

#### ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value when originally pledged or donated. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

#### ***Donated Goods Inventory***

Donated goods inventory is recorded at its fair value on the date of donation. Donated goods inventory primarily includes assets which will be transferred, at a later date, to the College for programmatic or administrative use. Donated goods inventory also includes smaller items that will either be consumed or sold by the Foundation.

#### ***Management Fee Income***

During the year ended December 31, 2017, the Foundation instituted a management fee policy in order to help fund the cost of managing restricted funds. Per the policy, endowment funds are assessed a 1% annual management fee calculated using the three year rolling average of the market value of each endowed fund. Donor designated contributions are assessed a one-time fee of 5%, excluding gifts for scholarships. Total management fees for 2018 and 2017 approximated \$11,100 and \$15,000, respectively, and are included in contributions without donor restrictions.

#### ***Allocation of Functional Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, management and general and fundraising based on the benefits derived. The primary allocated costs are the in-kind services and facilities provided, and are allocated using percentages based on the relative time spent or resources utilized in each function.

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***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.

#### ***Federal Income Tax***

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has not identified any transactions that are subject to unrelated business income tax.

The Foundation has reviewed and evaluated all tax positions as required under the *Income Taxes* topic of the FASB ASC. The Foundation has determined that tax positions taken are more likely than not to be sustained upon examination, including resolution of any related appeals or litigation. Management is unaware of any tax positions which would not be sustained upon appeal or litigation.

The Foundation has filed its federal income tax returns timely with the Internal Revenue Service (IRS). The IRS generally has three years from the date the return was filed to examine and assess tax. The Foundation's accounting policy for interest and penalties is to expense those amounts to income tax expense in the period that the assessments are determined. There were no tax-related penalties or interest incurred during the years ended December 31, 2018 and 2017.

#### ***Reclassifications***

Certain reclassifications have been made to the 2017 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

#### ***Subsequent Events***

Management has evaluated subsequent events through November 18, 2019, which is the date that the financial statements are available to be issued.

#### ***Summarized Information for 2017***

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information is derived.



## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions will continue to be met, ensuring the sustainability of the Foundation.

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used primarily to fund scholarship awards and emergency grants. In addition, the Foundation receives support without donor restrictions. Such revenues typically do not exceed total annual funding needs.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for management and general, and fundraising expenses plus an amount that represents the expected payments for scholarships and grants.

The table below presents financial assets available for general expenditures within one year:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 436,229	\$ 421,358
Accounts and pledges receivable	3,128	1,596
Investments	1,009,021	1,060,850
Funds held in reserve	(131,850)	(65,171)
Endowments held in perpetuity	<u>(733,098)</u>	<u>(696,272)</u>
Total	\$ <u>583,430</u>	\$ <u>722,361</u>

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 2,500	\$ 600
One to five years	<u>101,563</u>	<u>111,043</u>
Total	104,063	111,643
Less Allowance for uncollectible pledges	<u>(26,563)</u>	<u>(29,793)</u>
Pledges receivable, net	77,500	81,850
Less Current Portion	<u>(2,500)</u>	<u>(600)</u>
Total Pledges Receivable, Long-term	\$ <u>75,000</u>	\$ <u>81,250</u>

#### NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation uses the FASB ASC topic for *Fair Value Measurement* which establishes a fair value hierarchy for reporting that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable units other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. There were no Level 2 inputs applied to the Foundation's accounts.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair value for various balance sheet accounts is determined as follows:

##### ***Investments***

Fair values for investments are determined by reference to quoted market prices for similar investments, yield curves and other relevant information.

##### ***Charitable Remainder Annuity Trust***

The beneficial interest in trust fair value determination is based on a number of assumptions and unobservable measurements (see Note 5).

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

##### *Level 3 Fair Value Measurements*

Fair value of the charitable remainder annuity trust is measured on a recurring basis using significant unobservable inputs (Level 3). The following is a reconciliation of the beginning and ending balances for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 66,557	\$ 63,583
Distribution to beneficiary	(5,676)	(5,676)
Net earnings (loss)	<u>(4,946)</u>	<u>8,650</u>
Ending Balance	\$ <u>55,935</u>	\$ <u>66,557</u>

#### NOTE 5 - CHARITABLE REMAINDER ANNUITY TRUST (CRAT)

The Foundation is the beneficiary and trustee of a charitable remainder annuity trust. Under the terms of the trust, the Foundation will pay the donor an annuity of 6% of the net fair market value of the asset in the trust as of the date the trust was established. The original value was \$94,000 and payments of approximately \$470 are made monthly from income and, to the extent that income is not sufficient, from principal.

The trust asset is reported at fair market value, which was \$55,935 and \$66,557 at December 31, 2018 and 2017, respectively. The present value of the related liability recorded was determined using a discount rate of 2.6% and 2.3% and the estimated life expectancy of the donor of 6.6 and 7.4 years at December 31, 2018 and 2017, respectively. The liability is \$27,984 and \$31,004 at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the fair value of the trust investments exceeds the projected annuity liability by \$27,951 and \$35,553, respectively.

#### NOTE 6 - INVESTMENTS

The Foundation maintains three “pooled” investment accounts for its donor-restricted endowments at December 31, 2018 and 2017.

##### *Donor-Restricted Endowments*

The Foundation’s pooled investments primarily consist of 27 named funds at December 31, 2018 and 2017, which were established for educational and recognition purposes (see Note 10). As required by the FASB ASC industry topic applicable to *Not-for-Profit Entities*, net assets associated with the endowments funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 6 - INVESTMENTS (Continued)

#### *Interpretation of SPMIFA*

The Board of Directors has interpreted the Washington State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation 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.

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

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

#### *Allocation of Investment Income*

Realized and unrealized gains and losses from securities in the pooled investment account are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the pooled investment account, as adjusted for additions to or deductions from those accounts, such as for scholarships and grants awarded. Investments are stated at their fair value.

Investments at December 31 consist of the following:

	2018		2017	
	Cost	Market	Cost	Market
Assets held in charitable remainder trust	\$ 59,032	\$ 55,935	\$ 60,683	\$ 66,557
Investments - long-term:				
Money funds (see Note 7)	69,789	69,789	64,922	64,922
Equities	669,156	617,311	621,490	710,603
Fixed income funds	<u>326,386</u>	<u>321,921</u>	<u>281,176</u>	<u>285,325</u>
Total Investments - long-term	<u>1,065,331</u>	<u>1,009,021</u>	<u>967,588</u>	<u>1,060,850</u>
Total Investments	\$ <u>1,124,363</u>	\$ <u>1,064,956</u>	\$ <u>1,028,271</u>	\$ <u>1,127,407</u>

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 6 - INVESTMENTS (Continued)

#### *Investment Income*

Investment income consists of the following for the year ended December 31, 2018:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 922	\$ 24,585	\$ 25,507
Realized gain, net		57,720	57,720
Unrealized loss, net		(149,572)	(149,572)
Change in CRAT, net		(7,602)	(7,602)
Investment fees	—	(9,940)	(9,940)
	<u>\$ 922</u>	<u>\$ (84,809)</u>	<u>\$ (83,887)</u>

Investment income consists of the following for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 888	\$ 20,278	\$ 21,166
Realized gain, net		56,911	56,911
Unrealized gain, net		70,440	70,440
Change in CRAT, net		7,506	7,506
Investment fees	—	(10,675)	(10,675)
	<u>\$ 888</u>	<u>\$ 144,460</u>	<u>\$ 145,348</u>

#### *Investment Policy*

The Foundation has an investment committee which is responsible for the management and investment allocation of funds, in accordance with their investment policy. Investments are made to secure financial gains for the benefit of the Foundation and its commitments through consideration of capital preservation and risk aversion. The policy contains guidelines regarding the types of assets to be maintained in the portfolio as well as guidelines about prohibited transactions. In addition, the Foundation has an endowment expenditure policy, which provides procedures to compute annual expenditures, based on a rolling average. If there are no earnings available, no distribution is made.

#### *Composition*

Investment composition, by restriction, at year end is as follows:

	<u>2018</u>	<u>2017</u>
Board-designated funds (without donor restrictions)	\$ 127,577	\$ 63,446
With donor restrictions	<u>881,444</u>	<u>997,404</u>
Total	<u>\$ 1,009,021</u>	<u>\$ 1,060,850</u>

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 6 - INVESTMENTS (Continued)

#### *Reconciliation of Investments*

A reconciliation of the assets held for the charitable remainder trust and the endowment pooled investment accounts at December 31 is as follows:

	2018		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 66,557	\$ 1,060,850	\$ 1,127,407
Contributions		78,223	78,223
Distributions	(5,676)	(52,845)	(58,521)
Interest and dividends	1,490	24,585	26,075
Realized gain	3,675	57,720	61,395
Unrealized loss	(8,971)	(149,572)	(158,543)
Investment fees	<u>(1,140)</u>	<u>(9,940)</u>	<u>(11,080)</u>
Ending Balance	\$ <u>55,935</u>	\$ <u>1,009,021</u>	\$ <u>1,064,956</u>

A reconciliation of the assets held for the charitable remainder trust and the endowment pooled investment accounts at December 31 is as follows:

	2017		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 63,583	\$ 946,419	\$ 1,010,002
Contributions		20,479	20,479
Transfers in		1,400	1,400
Transfers out		(44,402)	(44,402)
Distributions	(5,676)		(5,676)
Interest and dividends	1,338	20,278	21,616
Realized gain	2,555	56,911	59,466
Unrealized gain	5,963	70,440	76,403
Investment fees	<u>(1,206)</u>	<u>(10,675)</u>	<u>(11,881)</u>
Ending Balance	\$ <u>66,557</u>	\$ <u>1,060,850</u>	\$ <u>1,127,407</u>

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 7 - CASH-MONEY FUNDS

Investments - long-term includes cash money funds (see Note 6). Money funds are designated for the following at December 31:

	<u>2018</u>	<u>2017</u>
Exceptional Faculty Fund	\$ 5,375	\$ 3,279
Regular Endowments Fund	45,067	45,865
Title III Funds	<u>19,347</u>	<u>15,778</u>
Total	\$ <u>69,789</u>	\$ <u>64,922</u>

### NOTE 8 - BOARD-DESIGNATED NET ASSETS

The board authorizes certain reserves to be set aside as board-designated, unrestricted net assets. The designations are set aside for the following at December 31:

	<u>2018</u>	<u>2017</u>
Adriatic Grill board match	\$ 5,500	\$ 5,500
Autobody Craftsman	271	271
Classic Glass Corvette	5,000	5,000
Emergency grants board match	79,131	15,000
Jolly-Morse Scholarship	5,000	5,000
KVTI	20,645	20,645
McManus-McGavick	7,030	7,030
South Tacoma Rotary	5,000	5,000
Student Success	<u>4,273</u>	<u>1,725</u>
Total	\$ <u>131,850</u>	\$ <u>65,171</u>

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are available for scholarships, emergency grants and specific program uses. Temporarily restricted donations are recorded as unrestricted if the restriction is met in the same accounting period.

The net assets with donor restrictions are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to expenditure or time restrictions:		
Academic programs and staff/faculty awards	\$ 295,828	\$ 341,023
Endowment matching fund contributions (a)	150,000	150,000
Scholarships and student emergency assistance	132,618	121,100
Restricted for next fiscal year	1,348	
Donated goods	118,985	43,260
Investment earnings restricted for future scholarships and grants	20,885	150,937
Charitable remainder trust excess of trust assets over obligation (see Note 5)	<u>27,951</u>	<u>35,553</u>
Total subject to expenditure or time restrictions	<u>747,615</u>	<u>841,873</u>
Endowments to be held in perpetuity:		
Scholarships, awards and emergency assistance	<u>733,098</u>	<u>696,272</u>
Total endowments to be held in perpetuity	<u>733,098</u>	<u>696,272</u>
Total net assets with donor restrictions	<u>\$ 1,480,713</u>	<u>\$ 1,538,145</u>

- (a) Funds were received from the U.S. Department of Education in prior years under the Title III program. The funds were made available to the Foundation to grow the endowment, which generates income for scholarships and grants to be made available to eligible applicants. If the funds are used for the intended purpose for 20 years, the original matching Title III grant becomes unrestricted. The Foundation Board provided a commitment to donors, who contributed to the permanently restricted endowment, that once the temporary restriction on the Title III funds was met, the Foundation Board would continue to hold the original Title III award in the endowment account as board designated net assets. The Title III temporary restriction expires in 2024 and 2025.



# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

### NOTE 10 - NAMED ENDOWMENT ACCOUNTS

The Foundation informs its donors that there is a \$12,000 minimum amount required before a separate named endowment account may be established. Prior to 2015, the minimum was \$10,000. This minimum threshold can be met with both restricted donor contributions and otherwise unrestricted funds (Board designations). All named endowment accounts are pooled together for investment purposes.

Named endowment accounts are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Adriatic Grill	\$ 5,770	\$ 5,770
Autobody Craftsman	24,729	24,729
Brenden Emerging Needs	30,499	30,499
Brenden Horticulture and Environmental Science	71,164	71,164
Pauline Burton Memorial	10,500	10,500
Classic Glass Corvette	19,000	19,000
Clover Park/LeMay Restoration	30,000	30,000
Clover Park Rotary	5,900	5,900
Elliot/Patrick Endowment	38,000	28,000
Emergency Grants	70,868	61,432
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	100,000	100,000
Harkness Family	55,320	42,730
Leila Bishuti Lee	7,009	7,009
Dr. Sharon McGavick	15,423	15,423
McGranahan	18,815	18,695
McManus-McGavick	22,676	22,676
Jolly-Morse Scholarship	9,149	8,844
Rainier Pacific Bank	10,000	10,000
Schoonmaker, Linda J. and Ronald A.	10,000	10,000
Sharpe Memorial	15,973	15,973
Sonntag Family Scholarship	12,945	12,570
South Tacoma Rotary	19,000	15,000
US West	20,000	20,000
Washington Restaurant	10,000	10,000
Senator Winsley	<u>10,000</u>	<u>10,000</u>
Total	\$ <u>733,098</u>	\$ <u>696,272</u>

## **CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

#### **NOTE 11 - AFFILIATED ENTITY**

##### ***Agreement***

The Foundation operates under an MOU with the College (see Note 1). This agreement is for an indefinite period, but may be terminated by either party with 90 days' advance notice and notification may only be given at the end of the State of Washington's fiscal biennium.

##### ***Support Received by College***

The College budgeted \$235,000 annually for the fair value of office space, furniture and equipment, supplies and related office expenses as well as for professional staff to operate the Foundation for both of the years ended December 31, 2018 and 2017. The value of these services received by the Foundation approximated \$230,030 and \$206,000 for the years ended December 31, 2018 and 2017, respectively.

##### ***Foundation Support Provided to College***

The Foundation provided support totaling \$359,369 and \$334,551 during the years ended December 31, 2018 and 2017, respectively, for student and direct program support, College-related functions and general promotion and recognition activities. This support also includes donated goods received by the Foundation, which were transferred to the College for use in programs and general operations (see Note 1).

#### **NOTE 12 - CONCENTRATIONS**

##### ***Concentration of Credit Risk***

The Foundation may, at times, have cash balances that exceed federally insured deposit limits. Management has not experienced any losses and believes there is minimal risk associated with these cash balances. Investment accounts are not federally insured and accordingly are subject to loss of principal.

One donor, a related party, comprises 92% and 85% of total pledges receivable as of December 31, 2018 and 2017, respectively.

##### ***Support***

The Foundation receives the majority of its contributions from staff, faculty, alumni, and local businesses.

The Foundation receives substantially all of its staff and faculty resources through an agreement with the College.

## **CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

#### **NOTE 13 - RISKS AND UNCERTAINTIES**

The Foundation invests in various investment securities and is the beneficiary of a trust, which invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts available for future operations.