



Audited Financial Statements - Modified Cash Basis

December 31, 2014 and 2013

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

Audited Financial Statements - Modified Cash Basis

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INDEPENDENT AUDITOR'S REPORT 1-2

AUDITED FINANCIAL STATEMENTS - MODIFIED CASH BASIS

 Statements of Assets, Liabilities and Net Assets - Modified Cash Basis 3

 Statements of Revenue, Expenses and Other Changes in Net
 Assets - Modified Cash Basis4-5

 Notes to Financial Statements6-21

SUPPLEMENTARY FINANCIAL INFORMATION - MODIFIED CASH BASIS

 Schedules of Functional Expenses - Modified Cash Basis22-23

Independent Auditor's Report

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

We have audited the accompanying financial statements of Clover Park Technical College Foundation (a nonprofit organization), a component unit of the Clover Park Technical College, which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2014 and 2013, and the related statements of revenue, expenses and other changes in net assets - modified cash basis for the years 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 the financial statements in conformity with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

Auditor's Responsibility (Continued)

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 net assets of Clover Park Technical College Foundation as of December 31, 2014 and 2013, and its revenue and expenses for the years then ended in accordance with the modified cash basis accounting as described in Note 1.

Report on Supplemental Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses - modified cash basis - for the years ended December 31, 2014 and 2013 on pages 22-23, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.


THE DOTY GROUP P.S.

Tacoma, Washington
December 16, 2015

AUDITED FINANCIAL STATEMENTS -
MODIFIED CASH BASIS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ <u>762,688</u>	\$ <u>542,308</u>
Total Current Assets	762,688	542,308
OTHER ASSETS		
Assets held in charitable remainder trust	77,425	79,302
Donated goods inventory	77,714	23,316
Investments - long-term	<u>978,581</u>	<u>951,192</u>
Total Investments	<u>1,133,720</u>	<u>1,053,810</u>
Total Assets	\$ <u>1,896,408</u>	\$ <u>1,596,118</u>
LIABILITIES AND NET ASSETS		
Liability under trust agreement	\$ <u>46,535</u>	\$ <u>48,202</u>
Total Liabilities	46,535	48,202
NET ASSETS		
Unrestricted	840,402	565,624
Board-designated	<u>53,446</u>	<u>53,175</u>
Total unrestricted	893,848	618,799
Temporarily restricted	319,661	322,832
Permanently restricted	<u>636,364</u>	<u>606,285</u>
Total Net Assets	<u>1,849,873</u>	<u>1,547,916</u>
Total Liabilities and Net Assets	\$ <u>1,896,408</u>	\$ <u>1,596,118</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Years Ended December 31, 2014 and 2013

	2014			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 482,821	\$ 48,724	\$ 30,079	\$ 561,624
Donated goods	78,643			78,643
Investment income	985	30,212		31,197
Fundraisers	<u>1,075</u>			<u>1,075</u>
Total Support and Revenue	563,524	<u>78,936</u>	<u>30,079</u>	672,539
Net assets released from restriction and reclassifications	<u>82,107</u>	<u>(82,107)</u>		
Total Support, Revenue and Reclassifications	645,631	(3,171)	30,079	672,539
EXPENSES				
Program services:				
Scholarships and grants	94,634			94,634
Program specific support	<u>246,840</u>			<u>246,840</u>
Total Program Services	341,474			341,474
Supporting services:				
General and administrative	22,676			22,676
Fundraising	<u>6,432</u>			<u>6,432</u>
Total Supporting Services	<u>29,108</u>			<u>29,108</u>
Total Expenses	<u>370,582</u>			<u>370,582</u>
Change in Net Assets	275,049	(3,171)	30,079	301,957
NET ASSETS AT BEGINNING OF YEAR	<u>618,799</u>	<u>322,832</u>	<u>606,285</u>	<u>1,547,916</u>
NET ASSETS AT END OF YEAR	<u>\$ 893,848</u>	<u>\$ 319,661</u>	<u>\$ 636,364</u>	<u>\$ 1,849,873</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS (Continued)

Years Ended December 31, 2014 and 2013

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 258,204	\$ 35,813	\$ 16,657	\$ 310,674
Donated goods	235,773			235,773
Investment income	1,149	103,519		104,668
Fundraisers	<u>32,422</u>			<u>32,422</u>
Total Support and Revenue	<u>527,548</u>	<u>139,332</u>	<u>16,657</u>	<u>683,537</u>
Net assets released and reclassifications from restriction	<u>70,489</u>	<u>(169,995)</u>	<u>99,506</u>	
Total Support, Revenue and Reclassifications	598,037	(30,663)	116,163	683,537
EXPENSES				
Program services:				
Scholarships and grants	80,326			80,326
Program specific support	<u>394,595</u>			<u>394,595</u>
Total Program Services	474,921			474,921
Supporting services:				
General and administrative	22,588			22,588
Fundraising	<u>14,454</u>			<u>14,454</u>
Total Supporting Services	<u>37,042</u>			<u>37,042</u>
Total Expenses	<u>511,963</u>			<u>511,963</u>
Change in Net Assets	86,074	(30,663)	116,163	171,574
NET ASSETS AT BEGINNING OF YEAR	<u>532,725</u>	<u>353,495</u>	<u>490,122</u>	<u>1,376,342</u>
NET ASSETS AT END OF YEAR	\$ <u>618,799</u>	\$ <u>322,832</u>	\$ <u>606,285</u>	\$ <u>1,547,916</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The 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 friends and 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. The updated MOU, from February 2003, 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 office space; furniture and equipment, supplies, and staff to operate the Foundation (see Note 12). 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.

Method of Accounting

The accompanying financial statements are presented on the modified cash basis of accounting. Accordingly, support and revenue are recorded when received rather than when promised or earned, and expenses are recorded when paid rather than when the obligation is incurred, and certain noncash transactions are not recognized in the financial statements. The Foundation capitalizes its property and equipment and records depreciation over the life of the asset and also records the unrealized earnings (losses) on its investments (see Note 4), all of which are modifications to the cash basis of accounting. These financial statements also include donated goods inventory and a liability associated with the trust in which the Foundation has an interest (see Note 3).

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*, except as described in the method of accounting above. Under the FASB ASC topic, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets include all Foundation net assets on which there are no donor-imposed restrictions for use, or on which donor-imposed restrictions were temporary and have expired. Board designations are also classified as unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets include all Foundation net assets received by donations on which the donor imposed some restriction. Such restrictions are time or purpose dependent and will expire when the Foundation makes use of the net assets sometime in the future for the restricted purpose (see Note 9).

Permanently Restricted Net Assets

Permanently restricted net assets include all Foundation net assets received by donations on which the donor imposed a permanent restriction on the use of the gift (see Note 11).

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.

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 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 income and gains (losses) are recognized.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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 is \$175,000 for 2014 and 2013, which may differ from the actual support provided to the Foundation (see Note 12 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.

Property and Equipment

Property and equipment are recorded at cost, and donated property and equipment is recorded at its fair value at the date of donation. Acquisitions of property and equipment in excess of \$5,000 are capitalized. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2014 and 2013 was \$0 and \$925, respectively.

Upon sale or retirement of property and equipment, the cost and related accumulated depreciation is eliminated from the respective accounts and the resulting gain or loss is included in the statement of activities. Expenditures for maintenance are expensed as incurred.

Split Interest Agreement

The charitable remainder trust (see Note 3) designates the Foundation as both the trustee and remainder beneficiary. 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 balances pass to the Foundation to be used in accordance with the donor's wishes.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The initially recorded fair value is generally considered a Level 1 or Level 2 measurement depending on the nature of the asset. 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 are recorded at their fair value on the date of donation. Donated goods primarily include 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.

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.

Use of Estimates

The preparation of financial statements on the modified cash basis 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Tax (Continued)

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, 2014 or 2013.

Subsequent Events

Management has evaluated subsequent events through December 16, 2015, which is the date that the financial statements are available to be issued.

NOTE 2 - 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 3).

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Fair Value Measurements

Fair value of the trust liability measured on a non-recurring basis at December 31 is as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 79,302	\$ 74,411
Distribution to beneficiary	(5,676)	(5,676)
Net earnings	<u>3,799</u>	<u>10,567</u>
Ending Balance	<u>\$ 77,425</u>	<u>\$ 79,302</u>

NOTE 3 - 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 value 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 \$77,425 and \$79,302 at December 31, 2014 and 2013, respectively. The present value of the related liability recorded was determined using a discount rate of 2.1% and 3.8% and the estimated life expectancy of the donor of 8.8 and 9.3 years at December 31, 2014 and 2013, respectively. The liability is \$46,535 and \$48,202 at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the fair value of the trust investments exceeds the projected annuity liability by \$30,890 and \$31,100, respectively (see Note 9).

NOTE 4 - INVESTMENTS

The Foundation maintains three "pooled" investment accounts for its donor-restricted endowments at December 31, 2014 and 2013, respectively.

Donor-Restricted Endowments (Investments)

The Foundation's pooled investments consist of 25 and 24 named funds at December 31, 2014 and 2013, respectively, 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, 2014 and 2013

NOTE 4 - INVESTMENTS (Continued)

Interpretation of SPMIFA

The Board of Trustees 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.

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 prudence described in SPMIFA. 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

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:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Assets held in charitable remainder trust	\$ 76,512	\$ 77,425	\$ 75,245	\$ 79,302
Investments - long-term:				
Money funds (see Note 5)	38,229	38,229	50,966	50,966
Equities	574,731	611,435	514,219	585,220
Fixed income funds	328,388	328,917	320,084	311,987
Bonds and equities	<u> </u>	<u> </u>	<u>3,019</u>	<u>3,019</u>
	<u>941,348</u>	<u>978,581</u>	<u>888,288</u>	<u>951,192</u>
Total Investments	\$ <u>1,017,860</u>	\$ <u>1,056,006</u>	\$ <u>963,533</u>	\$ <u>1,030,494</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 4 - INVESTMENTS (Continued)

Investment Income

Investment income consists of the following for the years ended December 31, 2014 and 2013:

	<u>December 31, 2014</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 985	\$ 47,806	\$ 48,791
Realized gain, net		20,730	20,730
Unrealized loss, net		(25,671)	(25,671)
Change in CRAT, net		(210)	(210)
Investment fees	<u> </u>	<u>(12,443)</u>	<u>(12,443)</u>
	<u>\$ 985</u>	<u>\$ 30,212</u>	<u>\$ 31,197</u>

	<u>December 31, 2013</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,149	\$ 17,127	\$ 18,276
Realized gain, net		18,117	18,117
Unrealized gain, net		71,608	71,608
Change in CRAT, net		7,681	7,681
Investment fees	<u> </u>	<u>(11,014)</u>	<u>(11,014)</u>
	<u>\$ 1,149</u>	<u>\$ 103,519</u>	<u>\$ 104,668</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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 4 - INVESTMENTS (Continued)

Composition

Endowment composition, by restriction, at year-end is as follows:

	December 31, 2014			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds		\$ 150,000	\$ 636,364	\$ 786,364
Scholarships and grants		138,771		138,771
Board-designated endowment funds	\$ <u>53,446</u>	_____	_____	<u>53,446</u>
Total Funds	\$ <u>53,446</u>	\$ <u>288,771</u>	\$ <u>636,364</u>	\$ <u>978,581</u>

	December 31, 2013			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds		\$ 150,000	\$ 606,285	\$ 756,285
Scholarships and grants		141,732		141,732
Board-designated endowment funds	\$ <u>53,175</u>	_____	_____	<u>53,175</u>
Total Funds	\$ <u>53,175</u>	\$ <u>291,732</u>	\$ <u>606,285</u>	\$ <u>951,192</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 4 - 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:

	2014		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 79,302	\$ 951,192	\$ 1,030,494
Contributions		30,079	30,079
Transfers in		271	271
Transfers out		(33,383)	(33,383)
Distributions	(5,676)		(5,676)
Interest and dividends	3,634	47,806	51,440
Realized gain	4,286	20,730	25,016
Unrealized loss	(3,144)	(25,671)	(28,815)
Investment fees	<u>(977)</u>	<u>(12,443)</u>	<u>(13,420)</u>
Ending Balance	\$ <u>77,425</u>	\$ <u>978,581</u>	\$ <u>1,056,006</u>
	2013		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 74,411	\$ 770,442	\$ 844,853
Contributions		16,657	16,657
Transfers in		99,506	99,506
Transfers out		(31,251)	(31,251)
Distributions	(5,676)		(5,676)
Interest and dividends	1,476	17,127	18,603
Realized gain	1,604	18,117	19,721
Unrealized gain	8,698	71,608	80,306
Investment fees	<u>(1,211)</u>	<u>(11,014)</u>	<u>(12,225)</u>
Ending Balance	\$ <u>79,302</u>	\$ <u>951,192</u>	\$ <u>1,030,494</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 5 - CASH-MONEY FUNDS

Investments-long term includes cash money funds (see Note 4). Money funds in excess of \$1,000 are designated for the following at December 31:

	<u>2014</u>	<u>2013</u>
Exceptional Faculty Fund	\$ 4,326	
Regular Endowments Fund	22,394	\$ 31,538
Title III Funds	<u>11,509</u>	<u>19,428</u>
Total	\$ <u>38,229</u>	\$ <u>50,966</u>

NOTE 6 - REAL ESTATE

At December 31, 2012, the Foundation owned real estate which was donated on January 15, 1998. The property is located in Pierce County, with a value of \$141,000 at the date of donation and consisted of 1.4 acres landscaped in a park-like setting, and a building. The Foundation leased the property to Clover Park Technical College for use as a conference center and to provide educational services and job skills training. The Foundation was required to hold the property for ten years and maintain the property in its existing park-like setting. At the end of the holding period, the Foundation had the option of leasing the property to Clover Park Technical College or another lessee, sell the property, or make such other use of the property as will assist in the fulfillment of its mission. The Foundation sold the property for \$101,668 during 2013, which generated a gain of \$2,162.

In accordance with the original property contribution, the net proceeds from the sale were restricted for establishing the Gertrude Brenden Endowment Fund, which was intended to benefit College horticulture and environmental sciences programs in the form of scholarships for students, equipment acquisition, and/or staff development. An amended donor agreement was formalized, in connection with the property sale, and stipulates that once the property sold, two permanent endowments would be established, one for horticulture and environmental science and one for emerging needs.

NOTE 7 - RECLASSIFICATIONS

In connection with the disposition of the real estate (see Note 6), \$99,506 has been reclassified from temporarily restricted to permanently restricted net assets during the year ended December 31, 2013.

There were no reclassifications from unrestricted to permanently restricted net assets during the year ended December 31, 2014.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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:

	<u>2014</u>	<u>2013</u>
Adriatic Grill board match	\$ 5,500	\$ 5,500
Autobody Craftsman	271	
Classical Glass	5,000	5,000
Emergency grants board match	15,000	15,000
KVTI	20,645	20,645
McManus-McGavick	<u>7,030</u>	<u>7,030</u>
Total	\$ <u>53,446</u>	\$ <u>53,175</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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 temporarily restricted net assets are comprised of the following at December 31:

	<u>2014</u>	<u>2013</u>
Investment earnings restricted for future scholarships and grants	\$ 138,771	\$ 141,732
Charitable remainder trust excess of trust assets over obligation (see Note 3)	30,890	31,100
Endowment matching fund contributions (a)	<u>150,000</u>	<u>150,000</u>
Total	\$ <u>319,661</u>	\$ <u>322,832</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

- (a) Funds were received from the US Department of Education in prior years under the Title III program. The funds were made available, to the Foundation, to grow 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.

NOTE 10 - NAMED ENDOWMENT ACCOUNTS

The Foundation informs its donors that there is a \$10,000 minimum amount required before a separate named endowment account may be established. This minimum threshold can be met with both restricted donor contributions and otherwise unrestricted funds (Board designations). The donor portion of a named endowment is held as temporarily restricted until the total reaches the \$10,000 threshold, at which time only the donor restricted contributions are reclassified to permanently restricted. All named endowment accounts are pooled together for investment purposes. In accordance with the policy, certain named endowed investment accounts are comprised of a permanently restricted portion, which is less than \$10,000 (see Notes 4 and 11).

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of the following named endowment accounts (see Note 10) at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Adriatic Grill	\$ 5,500	\$ 5,500
Autobody Craftsman	24,729	
Brenden Horticulture and Environmental Science	71,164	71,164
Brenden Emerging Needs	30,499	30,499
Paulin Burton Memorial	10,000	10,000
Classical Glass Corvette	18,000	18,000
Clover Park/LeMay Restoration	30,000	30,000
Clover Park Rotary	5,900	5,900
Elliot/Patrick Endowment	15,000	10,000
Emergency Grants	55,000	55,000
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	100,000	100,000
Harkness Family	30,093	30,093
Leila Bishuti Lee	6,959	6,959
Dr. Sharon McGavick	15,223	15,223
McGranahan	17,425	17,075
McManus-McGavick	22,896	22,896
Rainier Pacific Bank	10,000	10,000
Sharpe Memorial	15,973	15,973
Sonntag Family Scholarship	11,645	11,645
South Tacoma Rotary	10,000	10,000
US West	20,000	20,000
Washington Restaurant	10,000	10,000
Senator Winsley	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 636,364</u>	<u>\$ 606,285</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 12 - AFFILIATED ENTITY

Agreement

During 1993, the Foundation entered into an agreement with the Clover Park Technical College. The Foundation is authorized to hold in its name all assets received from the College. 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 budgets \$175,000 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. The value of these services received by the Foundation approximates \$362,000 and \$183,700 for the years ended December 31, 2014 and 2013, respectively. These financial statements are prepared using the modified cash basis of accounting and, accordingly, the value of the College support has not been included in these statements.

Foundation Support Provided to College

The Foundation provided support totaling \$341,474 and \$474,921 during the years ended December 31, 2014 and 2013, respectively, for student and direct program support, College-related functions and general promotion and recognition activities. This College 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 13 - TRANSFORMING LIVES CAMPAIGN

During 2013, the Foundation entered into the *Transforming Lives* campaign to raise \$2.5 million. The funds which will provide the tools, technology and other resources to help local residents secure living-wage careers to support their families and meet the increasing workforce demands in Pierce County. The funds will support students by providing state-of-the-art smart classrooms, advanced technology and training tools for the new Health Sciences Building; interactive technology and online resources in the remodeled Learning Resource Center; and scholarship assistance. The Foundation raised \$427,280 and \$224,556 in campaign contributions for the years ended December 31, 2014 and 2013, respectively.

NOTE 14 - CONCENTRATIONS

Concentration of Credit Risk

The Foundation may, at times, have a cash balance that exceeds 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 14 - CONCENTRATIONS (Continued)

Support Concentration

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

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

NOTE 15 - 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.

SUPPLEMENTARY FINANCIAL INFORMATION -
MODIFIED CASH BASIS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

SCHEDULES OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Years Ended December 31, 2014 and 2013

	2014				Total
	Program Services		Supporting Services		
	Scholarship and Grants	Program Specific Support	General and Administrative	Fundraising Activities	
PROGRAM SERVICES					
Emergency grants	\$ 27,806				\$ 27,806
Scholarship awards	66,828				66,828
Automotive repairs		\$ 268			268
College promotion		8,769			8,769
Conferences and meetings		1,037			1,037
Donated goods expense		399			399
Hospitality		6,725			6,725
Professional fees		12,500			12,500
Purchased services		7,948			7,948
Supplies		18,218			18,218
Transfers to CPTC		<u>190,976</u>			<u>190,976</u>
Total Program Services	94,634	246,840			341,474
SUPPORTING SERVICES EXPENSES					
Bank service charges			\$ 2,134		2,134
Board meeting and retreat expense			2,463		2,463
Dues and subscriptions			1,514		1,514
Hospitality			883		883
Insurance			3,609		3,609
Licenses and permits			163		163
Meals				\$ 4,153	4,153
Miscellaneous				8	8
Office expenses			1,614		1,614
Other fundraising expense				2,271	2,271
Postage			296		296
Professional Fees			<u>10,000</u>		<u>10,000</u>
Total General and Administrative Expenses			<u>22,676</u>	<u>6,432</u>	<u>29,108</u>
Total Expenses	<u>\$ 94,634</u>	<u>\$ 246,840</u>	<u>\$ 22,676</u>	<u>\$ 6,432</u>	<u>\$ 370,582</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

SCHEDULES OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (Continued)

Years Ended December 31, 2014 and 2013

	2013				Total
	Program Services		Supporting Services		
	Scholarship and Grants	Program Specific Support	General and Administrative	Fundraising Activities	
PROGRAM SERVICES					
Emergency grants	\$ 22,892				\$ 22,892
Scholarship awards	57,434				57,434
Automotive repairs		\$ 2,137			2,137
College promotion		21,713			21,713
Donated goods expense		1,166			1,166
Hospitality		2,694			2,694
Meals and travel		6,857			6,857
Printing		590			590
Purchased services		16,095			16,095
Transfers to CPTC		<u>343,343</u>			<u>343,343</u>
Total Program Services	80,326	394,595			474,921
SUPPORTING SERVICES EXPENSES					
Bank service charges			\$ 1,649		1,649
Board meetings and retreat expense			1,471		1,471
Depreciation			925		925
Dues and subscriptions			925		925
Insurance			2,578		2,578
Licenses and permits			50		50
Meals				\$ 5,996	5,996
Miscellaneous			77		77
Office expenses			1,657		1,657
Other fundraising expense				3,578	3,578
Postage			323		323
Property taxes			355		355
Rent for event				3,160	3,160
Supplies			<u>12,578</u>	<u>1,720</u>	<u>14,298</u>
Total General and Administrative Expenses			<u>22,588</u>	<u>14,454</u>	<u>37,042</u>
Total Expenses	<u>\$ 80,326</u>	<u>\$ 394,595</u>	<u>\$ 22,588</u>	<u>\$ 14,454</u>	<u>\$ 511,963</u>