



Audited Financial Statements
and Supplementary Information

December 31, 2015

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

**Audited Financial Statements
and Supplementary Information**

December 31, 2015

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of Clover Park Technical College Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 19 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.

Prior Year Basis of Accounting

Clover Park Technical College Foundation (the Foundation) has kept its records and has prepared its financial statements for previous years on the modified cash basis of accounting. Accordingly, support and revenue were recorded when received rather than when promised or earned, and expenses were recorded when paid rather than when the obligation was incurred, and certain noncash transactions were not recognized in the financial statements. The modified cash basis financial statements also included donated goods inventory and a liability associated with the trust in which the Foundation has an interest. As described in Notes 1 and 15 to the financial statements, the Foundation has adopted accounting principles generally accepted in the United States of America as of the beginning of the current year. Appropriate adjustments have been made to net assets as of January 1, 2015; however, it was not practicable to determine what adjustments would be necessary in the financial statements in the preceding year to retrospectively adjust results of operations and cash flows to conform to the accounting principles used in the current year.

The Doty Group, P.S.

THE DOTY GROUP, P.S.

Tacoma, Washington
September 2, 2016

AUDITED FINANCIAL STATEMENTS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 433,884
Current portion of pledges receivable	18,950
Inventory held for sale	4,155
Prepaid expenses	<u>2,978</u>

Total Current Assets 459,967

OTHER ASSETS

Pledges receivable, net of current portion	125,633
Assets held in charitable remainder trust	68,348
Donated goods inventory	41,079
Investments - long-term	<u>921,235</u>

Total Other Assets 1,156,295

Total Assets \$ 1,616,262

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ <u>9,529</u>
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Total Current Liabilities 9,529

Liability under trust agreement	<u>44,763</u>
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Total Liabilities 54,292

NET ASSETS

Unrestricted:

Undesignated	472,567
Board-designated	<u>63,446</u>

Total Unrestricted 536,013

Temporarily restricted	366,979
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Permanently restricted	<u>658,978</u>
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Total Net Assets 1,561,970

Total Liabilities and Net Assets \$ 1,616,262

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 287,913	\$ 52,145	\$ 22,614	\$ 362,672
Donated goods	66,900			66,900
Investment income (loss)	<u>1,180</u>	<u>(47,270)</u>		<u>(46,090)</u>
Total Support and Revenue	355,993	4,875	22,614	383,482
Net assets released from restriction and reclassifications	<u>118,610</u>	<u>(118,610)</u>		
Total Support, Revenue and Reclassifications	474,603	(113,735)	22,614	383,482
EXPENSES				
Program services:				
Scholarships and grants	141,678			141,678
Program specific support	<u>521,921</u>			<u>521,921</u>
Total Program Services	663,599			663,599
Supporting services:				
General and administrative	137,915			137,915
Fundraising	<u>3,094</u>			<u>3,094</u>
Total Supporting Services	<u>141,009</u>			<u>141,009</u>
Total Expenses	<u>804,608</u>			<u>804,608</u>
Change in Net Assets	(330,005)	(113,735)	22,614	(421,126)
NET ASSETS AT BEGINNING OF YEAR, as originally reported	893,848	319,661	636,364	1,849,873
CHANGE IN ACCOUNTING METHOD (See Note 15)	<u>(27,830)</u>	<u>161,053</u>		<u>133,223</u>
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>866,018</u>	<u>480,714</u>	<u>636,364</u>	<u>1,983,096</u>
NET ASSETS AT END OF YEAR	\$ <u>536,013</u>	\$ <u>366,979</u>	\$ <u>658,978</u>	\$ <u>1,561,970</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (421,126)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unrealized loss on investments	55,648
Bad debt expense	5,040
(Increase) decrease in assets:	
Pledges receivable	11,430
Inventory held for sale	(4,155)
Prepaid expenses	(2,978)
Donated goods inventory	36,635
(Increase) decrease in liabilities:	
Accounts payable	<u>(18,301)</u>
Net Cash Used by Operating Activities	(337,807)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	942,845
Purchases of investments	(941,147)
Change in charitable reminder trust, net	<u>7,305</u>
Net Cash Provided by Investing Activities	<u>9,003</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(328,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>762,688</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>433,884</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 2015, 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 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

Basis of Presentation (Continued)

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 8).

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 10).

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.

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 historically has not experienced significant losses related to uncollectable pledges. Management has evaluated the balances in pledges and has not provided a reserve for doubtful accounts as collection is expected.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 \$235,000 for 2015, 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.

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.

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 4) 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, 2015

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 (see Note 3) 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 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 year ended December 31, 2015.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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

Subsequent Events

Management has evaluated subsequent events through September 2, 2016, which is the date that the financial statements are available to be issued.

NOTE 2 - PLEDGES RECEIVABLE

The Foundation's pledges receivable are from contributions received in connection with the Transforming Lives Campaign (see Note 12). Pledges receivable at December 31, 2015 are expected to be collected as follows:

	<u>Pledges</u>
December 31, 2016	\$ 18,950
2017	10,840
2018	103,543
2019	2,250
2020	1,500
Thereafter	<u>7,500</u>
Total	144,583
Less current portion	<u>(18,950)</u>
Total Pledges Receivable, Long-term	\$ <u>125,633</u>

NOTE 3 - 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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 4).

Level 3 Fair Value Measurements

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

Beginning balance	\$ 77,425
Distribution to beneficiary	(5,676)
Net earnings	<u>(3,401)</u>
Ending Balance	<u>\$ 68,348</u>

NOTE 4 - 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 \$68,348 at December 31, 2015. The present value of the related liability recorded was determined using a discount rate of 2.2% and the estimated life expectancy of the donor of 8.3 years at December 31, 2015. The liability is \$44,763 at December 31, 2015. At December 31, 2015, the fair value of the trust investments exceeds the projected annuity liability by \$23,585 (see Note 8).

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5 - INVESTMENTS

The Foundation maintains three “pooled” investment accounts for its donor-restricted endowments at December 31, 2015.

Donor-Restricted Endowments (Investments)

The Foundation’s pooled investments consist of 27 named funds at December 31, 2015, 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.

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 as 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 5 - INVESTMENTS (Continued)

Allocation of Investment Income (Continued)

Investments at December 31 consist of the following:

	<u>Cost</u>	<u>Market</u>
Assets held in charitable remainder trust	\$ 71,308	\$ 68,348
Investments - long-term:		
Money funds (see Note 6)	45,596	45,596
Equities	579,861	572,461
Fixed income funds	<u>310,321</u>	<u>303,178</u>
Total investments-long-term	<u>935,778</u>	<u>921,235</u>
Total Investments	<u>\$ 1,007,086</u>	<u>\$ 989,583</u>

Investment Income

Investment income consists of the following for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,180	\$ 17,001	\$ 18,181
Realized gain, net		7,067	7,067
Unrealized loss, net		(51,775)	(51,775)
Change in CRAT, net		(7,305)	(7,305)
Investment fees	<u> </u>	<u>(12,258)</u>	<u>(12,258)</u>
	<u>\$ 1,180</u>	<u>\$ (47,270)</u>	<u>\$ (46,090)</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, 2015

NOTE 5 - INVESTMENTS (Continued)

Composition

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 150,000	\$ 658,978	\$ 808,978
Scholarships and grants		48,811		48,811
Board-designated endowment funds	\$ 63,446	_____	_____	<u>63,446</u>
Total Funds	<u>\$ 63,446</u>	<u>\$ 198,811</u>	<u>\$ 658,978</u>	<u>\$ 921,235</u>

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:

	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 78,338	\$ 977,668	\$ 1,056,006
Contributions		22,114	22,114
Transfers in		300	300
Transfers out		(39,795)	(39,795)
Distributions	(5,676)		(5,676)
Interest and dividends	1,586	17,001	18,587
Realized gain	(948)	7,980	7,032
Unrealized loss	(3,873)	(51,775)	(55,648)
Investment fees	<u>(1,079)</u>	<u>(12,258)</u>	<u>(13,337)</u>
Ending Balance	<u>\$ 68,348</u>	<u>\$ 921,235</u>	<u>\$ 989,583</u>

NOTE 6 - CASH-MONEY FUNDS

Investments-long term includes cash money funds (see Note 5). Money funds in excess of \$1,000 are designated for the following at December 31:

Exceptional Faculty Fund	\$ 2,487
Regular Endowments Fund	33,630
Title III Funds	<u>9,479</u>
Total	<u>\$ 45,596</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 7 - 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:

Adriatic Grill board match	\$ 5,500
Autobody Craftsman	271
Classical Glass	5,000
Emergency grants board match	15,000
Jolly-Morse Scholarship	5,000
KVTI	20,645
McManus-McGavick	7,030
South Tacoma Rotary	<u>5,000</u>
Total	\$ <u>63,446</u>

NOTE 8 - 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:

Pledges receivable (under campaign)	\$ 144,583
Endowment matching fund contributions (a)	150,000
Investment earnings restricted for future scholarships and grants	48,811
Charitable remainder trust excess of trust assets over obligation (see Note 4)	<u>23,585</u>
Total	\$ <u>366,979</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 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, 2015

NOTE 9 - 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. Subsequent to year end, the minimum was increased to \$30,000. 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 7 and 10).

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of the following named endowment accounts (see Note 9) at December 31, 2015:

Adriatic Grill	\$ 5,770
Autobody Craftsman	24,729
Brenden Emerging Needs	30,499
Brenden Horticulture and Environmental Science	71,164
Paulin Burton Memorial	10,000
Classical Glass Corvette	18,750
Clover Park/LeMay Restoration	30,000
Clover Park Rotary	5,900
Elliot/Patrick Endowment	15,000
Emergency Grants	55,000
Exceptional Faculty	80,000
Goranson Memorial	10,358
Hamilton Family	100,000
Harkness Family	30,093
Leila Bishuti Lee	6,959
Dr. Sharon McGavick	15,223
McGranahan	17,425
McManus-McGavick	22,896
Jolly Morse Scholarship	6,594
Rainier Pacific Bank	10,000
Schoonmaker, Linda J. and Ronald A.	10,000
Sharpe Memorial	15,973
Sonntag Family Scholarship	11,645
South Tacoma Rotary	15,000
US West	20,000
Washington Restaurant	10,000
Senator Winsley	10,000
Total	<u>\$ 658,978</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 11 - AFFILIATED ENTITY

Agreement

During 1993, the Foundation entered into an agreement with the Clover Park Technical College (the 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 \$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. The value of these services received by the Foundation approximates \$236,000 for the year ended December 31, 2015.

Foundation Support Provided to College

The Foundation provided support totaling \$663,599 during the year ended December 31, 2015 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 12 - TRANSFORMING LIVES CAMPAIGN

During 2013, the Foundation entered into the *Transforming Lives* campaign to raise \$2.5 million. The goal was reduced to \$2.1 million during 2015. The funds 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 \$17,917 in campaign contributions for the year ended December 31, 2015. The campaign ended and was closed on December 31, 2015.

NOTE 13 - 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, 2015

NOTE 13 - 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 14 - 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.

NOTE 15 - CHANGE IN ACCOUNTING METHOD

In previous years, the Foundation prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than GAAP. Effective January 1, 2015, the financial statements have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles. The board and management believes that the accrual basis of accounting more accurately reflects the Foundation's financial position and results of operations. The effect of the retroactive application of the new basis of accounting was applied to opening balances within the statement of financial position as follows:

Pledges Receivable	\$ 161,053
Accounts Payable	<u>(27,830)</u>
Net Assets	<u>\$ 133,223</u>

SUPPLEMENTARY INFORMATION

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Scholarship And Grants</u>	<u>Program Specific Support</u>	<u>General and Administrative</u>	<u>Fundraising Activities</u>	
PROGRAM SERVICES					
Emergency grants	\$ 23,704				\$ 23,704
Scholarship awards	117,974				117,974
Automotive repairs		\$ 1,134			1,134
College promotion		12,319			12,319
Conferences and meetings		1,535			1,535
Donated goods expense		434			434
Donated services		141,522			141,522
License and permits		217			217
Meals		7,365			7,365
Professional fees		10,825			10,825
Purchased services		10,605			10,605
Supplies		6,921			6,921
Transfers to CPTC		<u>329,044</u>			<u>329,044</u>
Total Program Services	141,678	521,921			663,599
SUPPORTING SERVICES EXPENSES					
Bad debt expense			\$ 5,040		5,040
Bank service charges			1,830		1,830
Board meeting and retreat expense			2,123		2,123
Donated services			94,348		94,348
Donor recognition			1,029	\$ 126	1,155
Dues and subscriptions			643	95	738
Hospitality			1,227		1,227
Insurance			817		817
Licenses and permits			50		50
Marketing			540		540
Meals			21		21
Office expenses			1,705		1,705
Postage			276		276
Professional Fees			23,652	2,078	25,730
Software maintenance			3,446	795	4,241
Training			199		199
Travel			<u>969</u>		<u>969</u>
Total General and Administrative Expenses			<u>137,915</u>	<u>3,094</u>	<u>141,009</u>
Total Expenses	\$ <u>141,678</u>	\$ <u>521,921</u>	\$ <u>137,915</u>	\$ <u>3,094</u>	\$ <u>804,608</u>