



CLOVER PARK TECHNICAL COLLEGE

FOUNDATION

Empower. Invest. Grow.

Audited Financial Statements

December 31, 2017 and 2016

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

Audited Financial Statements

December 31, 2017 and 2016

INDEPENDENT AUDITOR’S REPORT 1-2

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position 3-4

Statement of Activities with Summarized
Comparative Totals for 2016 5

Statements of Functional Expenses 6-7

Statements of Cash Flows..... 8

Notes to Financial Statements 9-24



1102 Broadway, Suite 400
Tacoma, WA 98402

P: (253) 830-5450
F: (253) 830-5454

W: www.dotygroupcpas.com

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, 2017 and 2016, and the related statement of activities for the year ended December 31, 2017, the statements of functional expenses and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended 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 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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
August 27, 2018

AUDITED FINANCIAL STATEMENTS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 421,358	\$ 380,110
Accounts receivable	996	2,193
Current portion of pledges receivable	600	13,925
Inventory held for sale	1,385	3,991
Prepaid expenses	<u>566</u>	<u>8,937</u>
Total Current Assets	424,905	409,156
OTHER ASSETS		
Pledges receivable, net of current portion and allowance for uncollectible pledges	81,250	118,669
Assets held in charitable remainder trust	66,557	63,583
Donated goods inventory	43,260	47,559
Investments	<u>1,060,850</u>	<u>946,419</u>
Total Other Assets	1,251,917	1,176,230
Total Assets	<u>\$ 1,676,822</u>	<u>\$ 1,585,386</u>

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

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,206	\$ 2,005
Total Current Liabilities	1,206	2,005
LIABILITY UNDER TRUST AGREEMENT	<u>31,004</u>	<u>35,536</u>
Total Liabilities	32,210	37,541
NET ASSETS		
Unrestricted:		
Undesignated	41,296	22,975
Board-designated	<u>65,171</u>	<u>63,446</u>
Total Unrestricted	106,467	86,421
Temporarily restricted	841,873	785,631
Permanently restricted	<u>696,272</u>	<u>675,793</u>
Total Net Assets	<u>1,644,612</u>	<u>1,547,845</u>
Total Liabilities and Net Assets	<u>\$ 1,676,822</u>	<u>\$ 1,585,386</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017 With Summarized Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
SUPPORT, REVENUE AND RECLASSIFICATIONS					
Contributions	\$ 182,685	\$ 16,646	\$ 20,479	\$ 219,810	\$ 136,135
Donated goods and services	251,360			251,360	503,738
Investment income	888	144,460		145,348	43,605
Total Support and Revenue	<u>434,933</u>	<u>161,106</u>	<u>20,479</u>	<u>616,518</u>	<u>683,478</u>
Net assets released from restriction and reclassifications	<u>104,864</u>	<u>(104,864)</u>			
Total Support, Revenue and Reclassifications	539,797	56,242	20,479	616,518	683,478
EXPENSES					
Program services:					
Scholarships and grants	110,657			110,657	98,488
Program specific support	223,894			223,894	453,276
Total Program Services	<u>334,551</u>			<u>334,551</u>	<u>551,764</u>
Supporting services:					
General and administrative	151,432			151,432	133,879
Fundraising	33,768			33,768	11,960
Total Supporting Services	<u>185,200</u>			<u>185,200</u>	<u>145,839</u>
Total Expenses	<u>519,751</u>			<u>519,751</u>	<u>697,603</u>
Change in Net Assets	20,046	56,242	20,479	96,767	(14,125)
NET ASSETS AT BEGINNING OF YEAR					
	<u>86,421</u>	<u>785,631</u>	<u>675,793</u>	<u>1,547,845</u>	<u>1,561,970</u>
NET ASSETS AT END OF YEAR	<u>\$ 106,467</u>	<u>\$ 841,873</u>	<u>\$ 696,272</u>	<u>\$ 1,644,612</u>	<u>\$ 1,547,845</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2017 and 2016

	2017				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising Activities	
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 FUNCTIONAL EXPENSES (Continued)

Years Ended December 31, 2017 and 2016

	2016				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising Activities	
Academic program support		\$ 29,142			\$ 29,142
Bank service charges			\$ 3,236		3,236
Board meeting and college promotion		14,479	1,506		15,985
Donated goods expense		50	207		257
Donated services expense		162,827	85,095	\$ 4,495	252,417
Donor recognition				894	894
Dues and subscriptions			1,315		1,315
Emergency grants	\$ 21,752				21,752
Faculty and staff awards	5,312				5,312
Fundraising				1,578	1,578
Hospitality		85			85
Insurance			1,576		1,576
License and permits			116		116
Marketing		1,087	124	44	1,255
Meals		762	162	160	1,084
Postage			642		642
Professional fees			22,055		22,055
Purchased services		4,156	2,762	3,762	10,680
Scholarship awards	71,424				71,424
Software maintenance		3,000	7,274	707	10,981
Supplies		2,274	5,576	320	8,170
Training			2,069		2,069
Transfers to CPTC		235,414			235,414
Travel			164		164
Total Expenses	\$ 98,488	\$ 453,276	\$ 133,879	\$ 11,960	\$ 697,603

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 96,767	\$ (14,125)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gains on investments, net	(127,351)	(31,870)
Loss on uncollectible pledges	35,973	
Contributions restricted to endowment	(20,479)	(16,371)
(Increase) decrease in assets:		
Accounts receivable	1,197	(2,193)
Inventory held for sale	2,606	164
Prepaid expenses	8,371	(5,013)
Pledges receivable	14,771	11,989
Donated goods inventory	4,299	(7,426)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(799)	(7,524)
Net Cash Provided (Used) by Operating Activities	15,355	(72,369)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	965,424	551,204
Purchases of investments	(952,504)	(544,518)
Change in charitable remainder trust, net	(7,506)	(4,462)
Withdrawal from charitable remainder trust	5,676	5,676
Net Cash Provided by Investing Activities	11,090	7,900
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from endowment contributions	20,479	16,371
Payments to beneficiary of charitable remainder trust	(5,676)	(5,676)
Net Cash Provided by Investing Activities	14,803	10,695
NET CHANGE IN CASH AND CASH EQUIVALENTS	41,248	(53,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	380,110	433,884
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 421,358	\$ 380,110

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - ORGANIZATION 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 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 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, 2017 and 2016

NOTE 1 - ORGANIZATION 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 provides for losses on pledges receivable using the allowance method. 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - ORGANIZATION 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, 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, 2017 and 2016, 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.

Split Interest Agreement

The charitable remainder trust designates the Foundation as both the trustee and remainder beneficiary (see Note 4). 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.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

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 2017 approximated \$15,000.

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 years ended December 31, 2017 and 2016.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through August 27, 2018, which is the date that the financial statements are available to be issued.

Summarized information for 2016

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, 2016, from which the summarized information is derived.

NOTE 2 - PLEDGES RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 600	\$ 13,925
One to five years	<u>111,043</u>	<u>118,669</u>
Total	111,643	132,594
Less Allowance for uncollectible pledges	<u>(29,793)</u>	<u> </u>
Pledges receivable, net	81,850	132,594
Less Current Portion	<u>(600)</u>	<u>(13,925)</u>
Total Pledges Receivable, Long-term	\$ <u>81,250</u>	\$ <u>118,669</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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.

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 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>2017</u>	<u>2016</u>
Beginning balance	\$ 63,583	\$ 68,348
Distribution to beneficiary	(5,676)	(5,676)
Net earnings	<u>8,650</u>	<u>911</u>
Ending Balance	\$ <u>66,557</u>	\$ <u>63,583</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 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 \$66,557 and \$63,583 at December 31, 2017 and 2016, respectively. The present value of the related liability recorded was determined using a discount rate of 2.3% and 1.8% and the estimated life expectancy of the donor of 7.4 and 8 years at December 31, 2017 and 2016, respectively. The liability is \$31,004 and \$35,536 at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the fair value of the trust investments exceeds the projected annuity liability by \$35,553 and \$28,047, respectively.

NOTE 5 - INVESTMENTS

The Foundation maintains three “pooled” investment accounts for its donor-restricted endowments at December 31, 2017 and 2016.

Donor-Restricted Endowments (Investments)

The Foundation’s pooled investments consist of 27 named funds at December 31, 2017 and 2016, 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5 - INVESTMENTS (Continued)

Interpretation of SPMIFA (Continued)

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>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Assets held in charitable remainder trust	\$ 60,683	\$ 66,557	\$ 63,672	\$ 63,583
Investments - long-term:				
Money funds (see Note 6)	64,922	64,922	65,011	65,011
Equities	621,490	710,603	557,837	592,527
Fixed income funds	<u>281,176</u>	<u>285,325</u>	<u>300,749</u>	<u>288,881</u>
Total Investments - long-term	<u>967,588</u>	<u>1,060,850</u>	<u>923,597</u>	<u>946,419</u>
Total Investments	\$ <u>1,028,271</u>	\$ <u>1,127,407</u>	\$ <u>987,269</u>	\$ <u>1,010,002</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5 - INVESTMENTS (Continued)

Investment Income

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	—	<u>(10,675)</u>	<u>(10,675)</u>
	<u>\$ 888</u>	<u>\$ 144,460</u>	<u>\$ 145,348</u>

Investment income consists of the following for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 947	\$ 17,733	\$ 18,680
Realized loss, net		(5,495)	(5,495)
Unrealized gain, net		37,365	37,365
Change in CRAT, net		4,462	4,462
Investment fees	—	<u>(11,407)</u>	<u>(11,407)</u>
	<u>\$ 947</u>	<u>\$ 42,658</u>	<u>\$ 43,605</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, 2017 and 2016

NOTE 5 - INVESTMENTS (Continued)

Composition

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

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 150,000	\$ 696,272	\$ 846,272
Scholarships and grants		149,407		149,407
Board-designated endowment funds	\$ <u>65,171</u>	_____	_____	<u>65,171</u>
Total Funds	\$ <u>65,171</u>	\$ <u>299,407</u>	\$ <u>696,272</u>	\$ <u>1,060,850</u>

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 150,000	\$ 675,793	\$ 825,793
Scholarships and grants		57,180		57,180
Board-designated endowment funds	\$ <u>63,446</u>	_____	_____	<u>63,446</u>
Total Funds	\$ <u>63,446</u>	\$ <u>207,180</u>	\$ <u>675,793</u>	\$ <u>946,419</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5 - 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:

	<u>2017</u>		
	<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>
	<u>2016</u>		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 68,348	\$ 921,235	\$ 989,583
Contributions		14,661	14,661
Transfers in		10,500	10,500
Transfers out		(38,173)	(38,173)
Distributions	(5,676)		(5,676)
Interest and dividends	1,207	17,733	18,940
Realized loss	(1,848)	(5,495)	(7,343)
Unrealized gain	2,871	37,365	40,236
Investment fees	<u>(1,319)</u>	<u>(11,407)</u>	<u>(12,726)</u>
Ending Balance	<u>\$ 63,583</u>	<u>\$ 946,419</u>	<u>\$ 1,010,002</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 6 - CASH-MONEY FUNDS

Investments - long-term includes cash money funds (see Note 5). Money funds are designated for the following at December 31:

	<u>2017</u>	<u>2016</u>
Exceptional Faculty Fund	\$ 3,279	\$ 3,208
Regular Endowments Fund	45,865	42,397
Title III Funds	<u>15,778</u>	<u>19,406</u>
Total	<u>\$ 64,922</u>	<u>\$ 65,011</u>

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 at December 31:

	<u>2017</u>	<u>2016</u>
Adriatic Grill board match	\$ 5,500	\$ 5,500
Autobody Craftsman	271	271
Classic Glass Corvette	5,000	5,000
Emergency grants board match	15,000	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>1,725</u>	<u> </u>
Total	<u>\$ 65,171</u>	<u>\$ 63,446</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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:

	<u>2017</u>	<u>2016</u>
Academic programs and staff/faculty awards	\$ 341,023	\$ 410,502
Endowment matching fund contributions (a)	150,000	150,000
Scholarships and student emergency assistance	121,100	88,379
Restricted for next fiscal year		2,510
Donated goods	43,260	47,559
Investment earnings restricted for future scholarships and grants	150,937	58,634
Charitable remainder trust excess of trust assets over obligation (see Note 4)	<u>35,553</u>	<u>28,047</u>
Total	<u>\$ 841,873</u>	<u>\$ 785,631</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.

NOTE 9 - NAMED ENDOWMENT ACCOUNTS

The Foundation informs its donors that there is a \$30,000 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). The donor portion of a named endowment is held as temporarily restricted until the total reaches the \$30,000 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 \$30,000 (see Notes 7 and 10).

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</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
Paulin 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	28,000	24,000
Emergency Grants	61,432	55,000
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	100,000	100,000
Harkness Family	42,730	34,483
Leila Bishuti Lee	7,009	7,009
Dr. Sharon McGavick	15,423	15,423
McGranahan	18,695	18,575
McManus-McGavick	22,676	22,676
Jolly-Morse Scholarship	8,844	7,664
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	12,570	12,070
South Tacoma Rotary	15,000	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>\$ 696,272</u>	<u>\$ 675,793</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 11 - AFFILIATED ENTITY

Agreement

During 1993, the Foundation entered into an agreement with 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 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, 2017 and 2016. The value of these services received by the Foundation approximated \$206,000 and \$225,000 for the years ended December 31, 2017 and 2016, respectively.

Foundation Support Provided to College

The Foundation provided support totaling \$334,551 and \$551,764 during the years ended December 31, 2017 and 2016, 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 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 85% and 76% of total pledges receivable as of December 31, 2017 and 2016, 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, 2017 and 2016

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.