



Audited Financial Statements

December 31, 2022 and 2021

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

Audited Financial Statements

December 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT 1-3

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position..... 4-5

Statement of Activities with Summarized
Comparative Totals for 2021..... 6

Statements of Functional Expenses..... 7-8

Statements of Cash Flows 9

Notes to Financial Statements 10-25

Independent Auditor's Report

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clover Park Technical College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover Park Technical College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clover Park Technical College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover Park Technical College Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Clover Park Technical College Foundation's 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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
December 7, 2023

AUDITED FINANCIAL STATEMENTS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 577,216	\$ 602,102
Accounts receivable	12,848	1,601
Pledges receivable, net of allowance	<u> </u>	<u>25,000</u>
Total Current Assets	590,064	628,703
OTHER ASSETS		
Donated goods inventory	44,472	41,044
Cash restricted to endowment	30,303	20,372
Investments	<u>2,031,754</u>	<u>2,204,261</u>
Total Other Assets	<u>2,106,529</u>	<u>2,265,677</u>
Total Assets	<u>\$ 2,696,593</u>	<u>\$ 2,894,380</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Scholarships payable		\$ 19,765
Accrued liabilities	\$ 1,750	
Total Current Liabilities	<u>1,750</u>	<u>\$ 19,765</u>
Total Liabilities	1,750	19,765
NET ASSETS		
Net assets without donor restrictions		
Undesignated	307,943	221,257
Board-designated	<u>746,129</u>	<u>756,566</u>
Total	1,054,072	977,823
Net assets with donor restrictions	<u>1,640,771</u>	<u>1,896,792</u>
Total Net Assets	<u>2,694,843</u>	<u>2,874,615</u>
Total Liabilities and Net Assets	<u>\$ 2,696,593</u>	<u>\$ 2,894,380</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022 With Summarized Comparative Totals
for the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 35,457	\$ 218,712	\$ 254,169	\$ 315,772
Special events, net	56,400	17,996	74,396	52,119
Donated goods and services	226,999	82,862	309,861	286,750
Investment income (loss), net	772	(320,902)	(320,130)	219,974
Total Support and Revenue	319,628	(1,332)	318,296	874,615
Net assets released from restriction and reclassifications	254,689	(254,689)		
Total Support, Revenue and Reclassifications	574,317	(256,021)	318,296	874,615
EXPENSES				
Program services:				
Scholarships and grants	163,059		163,059	164,285
Program specific support	202,397		202,397	229,275
Total Program Services	365,456		365,456	393,560
Supporting services:				
General and administrative	123,913		123,913	199,418
Fundraising	8,699		8,699	6,373
Total Supporting Services	132,612		132,612	205,791
Total Expenses	498,068		498,068	599,351
Change in Net Assets	76,249	(256,021)	(179,772)	275,264
NET ASSETS AT BEGINNING OF YEAR				
	977,823	1,896,792	2,874,615	2,599,351
NET ASSETS AT END OF YEAR				
	\$ 1,054,072	\$ 1,640,771	\$ 2,694,843	\$ 2,874,615

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2022 and 2021

	2022				
	Program Services		Supporting Services		Total
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 15,723			\$ 15,723
Bank service charges			\$ 1,811		1,811
Board development			804		804
College promotion			5,423		5,423
Donated goods expense		14,425	109	\$ 11,535	26,069
Donated services expense		104,440	96,337	8,699	209,476
Donor recognition		2,000	572		2,572
Emergency grants	\$ 35,941				35,941
Faculty and staff awards	7,000				7,000
Insurance			1,434		1,434
License and permits			60		60
Professional services			17,350	357	17,707
Purchased services				8,209	8,209
Software maintenance			13		13
Scholarship awards	120,118				120,118
Supplies				1,905	1,905
Transfers of donated goods to CPTC		65,809			65,809
Travel				20	20
Total expenses	163,059	202,397	123,913	30,725	520,094
Less direct donor benefit reported in special event revenue, net				22,026	22,026
Total Expenses reported on the Statement of Activities	\$ 163,059	\$ 202,397	\$ 123,913	\$ 8,699	\$ 498,068

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, 2022 and 2021

	2021				
	Program Services		Supporting Services		Total
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 55,809			\$ 55,809
Bad debt expense			\$ 75,000		75,000
Bank service charges			1,908		1,908
Board development			186		186
College promotion		2,491			2,491
Donated goods expense		2,937		\$ 9,898	12,835
Donated services expense		145,869	99,639	6,248	251,756
Donor recognition			634	8	642
Emergency grants	\$ 44,778				44,778
Faculty and staff awards	5,000				5,000
Insurance			1,438		1,438
License and permits			160		160
Professional services			20,295		20,295
Purchased services				2,548	2,548
Software maintenance			26	895	921
Scholarship awards	114,507				114,507
Supplies			132	532	664
Transfers of donated goods to CPTC		22,169			22,169
Total expenses	164,285	229,275	199,418	20,129	613,107
Less direct donor benefit reported in special event revenue, net				13,756	13,756
Total Expenses reported on the Statement of Activities	\$ 164,285	\$ 229,275	\$ 199,418	\$ 6,373	\$ 599,351

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (179,772)	\$ 275,264
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense		75,000
Realized and unrealized (gain) loss on investments, net	348,766	(193,234)
Contributions restricted to endowment	(124,332)	(75,721)
Unrealized gain on assets held in beneficiary charitable remainder trust (see Note 6)		3,512
(Increase) decrease in assets:		
Accounts receivable	(11,247)	(1,358)
Pledges receivable	25,000	(25,000)
Donated goods inventory	(3,428)	(489)
Increase (decrease) in liabilities:		
Accrued liabilities	1,750	
Scholarships payable	(19,765)	19,765
Net Cash Provided by Operating Activities	<u>36,972</u>	<u>77,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	212,610	146,803
Purchases of investments	(426,683)	(580,542)
Deposits of current year earnings to charitable remainder trust, net		(9,444)
Trust distributions received for beneficiary payments		2,838
Remainder distribution from charitable remainder trust (see Note 5)		61,735
Net Cash Used by Investing Activities	<u>(214,073)</u>	<u>(378,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from endowment contributions	124,332	75,721
Payments to beneficiary of charitable remainder trust		(2,838)
Net Cash Provided by Financing Activities	<u>124,332</u>	<u>72,883</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>(52,769)</u>	<u>(227,988)</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>779,866</u>	<u>1,007,854</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR (see Note 12)	<u>\$ 727,097</u>	<u>\$ 779,866</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Clover Park Technical College Foundation (the Foundation) is a nonprofit organization dedicated to the needs of Clover Park Technical College (the College) students and programs. Established in 1992, the Foundation is overseen by a volunteer board of at least 10 and up to 24 members from the surrounding community and industries which are served by the College. The Foundation's mission is to raise funds for the College to better enable the College to provide students with the knowledge, skills and values necessary to succeed in the workforce of today and tomorrow. The Foundation's office is located in Lakewood, Washington.

Agreement with Clover Park Technical College

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

Basis of Presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Basis of Presentation (Continued)

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

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 and Accounts Receivable

The Foundation's pledges are contributions from individuals and corporations which are available for general or specific uses. The Foundation provides for losses on pledges and accounts receivable using the allowance method. The allowance for uncollectible pledges was \$95,313 at December 31, 2022 and 2021. 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 and accounts receivable when management determines the receivable will not be collected. Accounts receivable totaled \$243 at December 31, 2020. Management has determined that accounts receivable are fully collectable; accordingly, no allowance has been recorded.

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.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Split Interest Agreement

The charitable remainder trust designated the Foundation as both the trustee and remainder beneficiary (see Note 5). The Foundation was required to ensure payments were made to the donor (or another donor-designated income beneficiary) during the beneficiary's life. Trust assets were measured at fair value when received, and were carried by the Foundation at fair value. A corresponding trust liability was measured at the present value of expected future cash flows to be paid to the beneficiary, computed using applicable discount rates. Upon death of all beneficiaries, substantially all of the principal balance would pass to the Foundation to be used in accordance with the donor's wishes; this occurred during 2021.

Contributions

Contributions, including unconditional promises to give, are recognized 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.

Management Fee Income

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.

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, 2022 and 2021. This may differ from the actual support provided to the Foundation (see Note 11). In addition, the Foundation recorded \$19,450 in donated advertising services in 2022, and \$20,800 in donated accounting services in 2021.

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Fundraising Activities

Fundraising activities generally are comprised of transactions which include both a contribution and exchange component. The FASB ASC requires that a not-for-profit entity determine the fair value of the exchange portion of the transaction first, and report the remaining portion of the transaction (excess of the resources received by the donor over the fair value of the exchange portion) as a contribution.

Fundraising and special events activities are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Contributions	\$ 74,758	\$ 47,102
Revenue	<u>21,664</u>	<u>18,713</u>
	96,422	65,815
Less cost of direct benefits to donors	<u>(22,026)</u>	<u>(13,696)</u>
Total	\$ <u>74,396</u>	\$ <u>52,119</u>

Allocation of Functional Expenses

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

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 support, 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.

Reclassifications

Certain prior year amounts and disclosures have been reclassified to conform to the current year presentation. These reclassifications had no impact on the prior year change in net assets.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Subsequent Events

Management has evaluated subsequent events through December 7, 2023 which is the date that the financial statements are available to be issued.

Summarized Information for 2021

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, 2021, from which the summarized information is derived.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

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

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

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 577,216	\$ 602,102
Accounts receivable	12,848	1,601
Pledges receivable, net of allowance		25,000
Operating reserves (see Note 8)	<u>(47,827)</u>	<u>(58,264)</u>
Total	\$ <u>542,237</u>	\$ <u>570,439</u>

NOTE 3 - PLEDGES RECEIVABLE

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Pledges receivable:			
Less than one year	\$ 95,313	\$120,313	
One to five years			\$ 95,313
Total	<u>95,313</u>	<u>120,313</u>	<u>95,313</u>
Less Allowance for uncollectible pledges	<u>(95,313)</u>	<u>(95,313)</u>	<u>(20,313)</u>
Pledges receivable, net		25,000	75,000
Less Current Portion		<u>(25,000)</u>	
Total Pledges Receivable, Long-term	\$ _____	\$ _____	\$ <u>75,000</u>

During 2022, no pledges receivable were written off as uncollectable. During 2021, the remaining \$75,000 of a past due pledge was written off as uncollectable.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

Investments

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

Charitable Remainder Annuity Trust

The projected annuity liability, due to the beneficiary, is based on a number of assumptions and unobservable measurements (see Note 5).

Level 3 Fair Value Measurements

Through its final distribution in 2021, the remainder benefit of the trust was measured on a recurring basis using significant unobservable inputs (Level 3). The following is the remainder benefit at December 31, 2021:

	<u>2021</u>
Beginning balance of trust assets	\$ 58,641
Distribution to beneficiary	(2,838)
Distribution of remainder to the Foundation	(61,735)
Net earnings	<u>5,932</u>
Remainder benefit	\$ <u> </u>

NOTE 5 - CHARITABLE REMAINDER ANNUITY TRUST (CRAT)

The Foundation was the remainder beneficiary and trustee of a charitable remainder annuity trust. Under the terms of the trust, the Foundation paid 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 were made monthly from income and, to the extent that income is not sufficient, from principal.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

The donor passed away in 2021 and the liability was adjusted accordingly. During 2021, \$2,838 was withdrawn from the trust to cover payments to the beneficiary. The remaining trust funds of \$61,735 were withdrawn and deposited into the Foundation's bank account during 2021, in accordance with the trust agreement. There was no remaining benefit as of December 31, 2021.

NOTE 6 - INVESTMENTS

The Foundation maintains three "pooled" investment accounts for its donor-restricted endowments at December 31, 2022 and 2021.

Donor-Restricted Endowments

The Foundation's pooled investments primarily consists of named endowment funds, 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 Directors has interpreted the Washington State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

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

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6 - INVESTMENTS (Continued)

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 fair value of each endowment to the total fair 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 consist of the following at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments				
Cash held in brokerage				
Accounts (see Note 7)	\$ 119,578	\$ 119,578	\$ 157,392	\$ 157,392
Money Market Funds	197,867	197,867		
Equities	651,770	683,138	646,569	846,566
Mutual funds	396,872	391,887	432,351	524,395
Fixed income funds	84,459	9,681	89,167	86,601
Real estate investment trusts	26,490	26,121		
Bonds	<u>608,410</u>	<u>603,482</u>	<u>614,077</u>	<u>589,307</u>
Total Investments	<u>\$ 2,085,446</u>	<u>\$ 2,031,754</u>	<u>\$ 1,939,556</u>	<u>\$ 2,204,261</u>

Investment Income

Investment income consists of the following for the year ended December 31, 2022:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 772	\$ 39,513	\$ 40,285
Unrealized loss, net		(348,766)	(348,766)
Investment fees	_____	(11,649)	(11,649)
	<u>\$ 772</u>	<u>\$ (320,902)</u>	<u>\$ (320,130)</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6 - INVESTMENTS (Continued)

Investment income consists of the following for the year ended December 31, 2021:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 553	\$ 35,065	\$ 35,618
Realized gain, net		895	895
Unrealized gain, net		192,339	192,339
Change in CRAT, net		3,094	3,094
Investment fees	<u> </u>	<u>(11,972)</u>	<u>(11,972)</u>
	<u>\$ 553</u>	<u>\$ 219,421</u>	<u>\$ 219,974</u>

Investment Policy

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

Composition

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions (see Note 8)	\$ 698,302	\$ 698,302
With donor restrictions	<u>1,333,452</u>	<u>1,505,959</u>
Total	<u>\$ 2,031,754</u>	<u>\$ 2,204,261</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6 - INVESTMENTS (Continued)

Reconciliation of Investments

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

	<u>2022</u>	
	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 2,204,261	\$ 2,204,261
Distributions	(65,679)	(65,679)
Purchases	426,685	426,685
Proceeds	(212,610)	(212,610)
Interest and dividends	39,513	39,513
Unrealized loss, net	(348,766)	(348,766)
Investment fees	<u>(11,650)</u>	<u>(11,650)</u>
Ending Balance	<u>\$ 2,031,754</u>	<u>\$ 2,031,754</u>

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

	<u>2021</u>		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 58,641	\$ 1,927,605	\$ 1,986,246
Beneficial interest distribution	(61,735)		(61,735)
Contributions		130,545	130,545
Distributions	(2,838)	(70,216)	(73,054)
Interest and dividends	572	35,065	35,637
Realized gain	9,138	895	10,033
Unrealized gain, net	(3,512)	192,339	188,827
Investment fees	<u>(266)</u>	<u>(11,972)</u>	<u>(12,238)</u>
Ending Balance	\$ <u> </u>	<u>\$ 2,204,261</u>	<u>\$ 2,204,261</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 7 - CASH HELD IN BROKERAGE ACCOUNTS

Investments includes cash deposits held in brokerage accounts (see Note 6). These funds are designated for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Exceptional Faculty Fund	\$ 3,870	\$ 4,586
Regular Endowments Fund	98,549	134,249
Title III Funds	<u>17,159</u>	<u>18,557</u>
Total	\$ <u>119,578</u>	\$ <u>157,392</u>

NOTE 8 - BOARD-DESIGNATED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Board-designated endowment funds:		
Adriatic Grill board match	\$ 5,500	\$ 5,500
Autobody Craftsman	271	271
Classic Glass Corvette	5,000	5,000
Emergency grants board match	79,131	79,131
Eva Gordon	530,860	530,860
Instructional Program endowment	36,736	36,736
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
WA State Histology Society	1,129	1,129
Woodworth	<u>2,000</u>	<u>2,000</u>
Subtotal	698,302	698,302
Operating reserves	<u>47,827</u>	<u>58,264</u>
Total	\$ <u>746,129</u>	\$ <u>756,566</u>

The board designated net assets are held in cash and cash equivalent accounts as well as in a pooled investment account. The amount held at December 31, 2022 and 2021 in a pooled investment account was \$698,302.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are available for scholarships, emergency grants and specific program uses.

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure or time restrictions:		
Academic programs and staff/faculty awards	\$ 72,877	\$ 79,348
Endowment matching fund contributions (a)	150,000	150,00
Scholarships and student emergency assistance	308,754	250,852
Donated goods	44,472	41,044
Investment earnings restricted for future scholarships and grants	<u>329,683</u>	<u>401,507</u>
Total subject to expenditure or time restrictions	<u>905,786</u>	<u>922,751</u>
Endowments to be held in perpetuity:		
Scholarships, awards and emergency assistance (see Note 10)	<u>1,050,976</u>	<u>974,041</u>
Total endowments to be held in perpetuity	<u>1,050,976</u>	<u>974,041</u>
Total net assets with donor restrictions	<u>\$ 1,956,762</u>	<u>\$ 1,896,792</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 10 - NAMED ENDOWMENT ACCOUNTS

The Foundation informs its donors that there is a \$12,000 minimum amount required before a separate named endowment account may be established. Prior to 2015, the minimum was \$10,000. This minimum threshold can be met with both restricted donor contributions and otherwise unrestricted funds (Board designations). All named endowment accounts are pooled together for investment purposes. Named endowment accounts are comprised of the following at December 31:

	<u>2022</u>	<u>2021</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
Broxon White	24,500	18,000
Pauline Burton Memorial	11,500	11,500
Classic Glass Corvette	19,100	19,100
Clover Park/LeMay Restoration	30,000	30,000
Clover Park Rotary	6,400	5,900
Elliot/Patrick Endowment	48,000	48,000
Emergency Grants	80,395	79,383
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	101,000	101,000
Harkness Family	130,487	117,359
Jeffrey Lee Davis	3,000	12,800
Kayce JoAnna White	21,000	2,000
Leila Bishuti Lee	7,009	7,009
Lincoln Park Masonic Lodge #80	15,000	15,000
Dr. Sharon McGavick	17,423	16,423
McGranahan	19,065	19,065
McManus-McGavick	22,676	22,676
Jolly-Morse Scholarship	11,164	10,514
Ott Ladd Endowment	12,000	
Mt. Tahoma	15,686	16,201
Nivicky Lee Family Endowment	10,000	
Rainier Pacific Bank	10,000	10,000
Schoonmaker, Linda J. and Ronald A.	10,750	10,250
Senator Winsley	10,000	10,000
Sharpe Memorial	15,973	15,973
Steven W. Hanson Scholarship Endowment	12,000	
Sonntag Family Scholarship	14,045	13,845
South Tacoma Rotary	21,000	21,000
Thomas Kay Parks Endowment Scholarship	10,000	
US West	20,000	20,000
Washington Restaurant	10,000	10,000
Washington State Histology Society	10,871	10,871
Wendy Joseph Cares	13,508	12,748

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 10 - NAMED ENDOWMENT ACCOUNTS (Continued)

	<u>2022</u>	<u>2021</u>
Earl C. White Williamson	\$ 54,904	\$ 54,904
Woodworth	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,050,976</u>	<u>\$ 974,041</u>

NOTE 11 - AFFILIATED ENTITY

Agreement

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

Support Received by College

The College budgeted \$235,000 annually for the fair value of office space, furniture and equipment, supplies and related office expenses as well as for professional staff to operate the Foundation for both of the years ended December 31, 2022 and 2021. The value of these services received by the Foundation approximated \$190,000 and \$231,000 for the years ended December 31, 2022 and 2021, respectively.

Foundation Support Provided to College

The Foundation provided support totaling \$365,456 and \$393,560 during the years ended December 31, 2022 and 2021, respectively, for student and direct program support, College-related functions and general promotion and recognition activities. This support includes donated goods received by the Foundation, which were transferred to the College for use in programs and general operations.

NOTE 12 - STATEMENT OF CASH FLOWS

Cash and cash equivalents and restricted cash as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 577,216	\$ 602,102
Cash held in brokerage accounts (see Note 7)	119,578	157,392
Cash restricted to endowment	<u>30,303</u>	<u>20,372</u>
Cash, cash equivalents and restricted cash as shown in the statement of cash flows	<u>\$ 727,097</u>	<u>\$ 779,866</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 12 - STATEMENT OF CASH FLOWS (Continued)

Restricted cash represents amounts received with donor-imposed restrictions that limit the use of the cash to a named endowment account. Such amounts are transferred to the pooled investment account shortly after year-end.

NOTE 13 - CONCENTRATIONS

Concentration of Credit Risk

The Foundation may, at times, have cash balances that exceed federally insured deposit limits. At December 31, 2022, cash deposits exceeded coverage limits by \$200,000. 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.

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.

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.