



Audited Financial Statements

December 31, 2020 and 2019

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

Audited Financial Statements

December 31, 2020 and 2019

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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, 2020, 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, 2020, 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, including omissions, 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 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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, 2021

AUDITED FINANCIAL STATEMENTS

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 494,545	\$ 944,707
Accounts receivable	243	2,916
Current portion of pledges receivable	<u> </u>	<u>56,500</u>
Total Current Assets	494,788	1,004,123
OTHER ASSETS		
Pledges receivable, net of current portion and allowance for uncollectible pledges	75,000	30,000
Assets held in charitable remainder trust	58,641	59,353
Donated goods inventory	40,555	40,055
Cash restricted to endowment	5,600	24,206
Investments	<u>1,927,605</u>	<u>1,227,069</u>
Total Other Assets	<u>2,107,401</u>	<u>1,380,683</u>
Total Assets	<u>\$ 2,602,189</u>	<u>\$ 2,384,806</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
LIABILITY UNDER TRUST AGREEMENT	\$ 2,838	\$ 28,320
Total Liabilities	2,838	28,320
NET ASSETS		
Net assets without donor restrictions		
Undesignated	140,418	155,134
Board-designated	<u>698,635</u>	<u>682,494</u>
Total	839,053	837,628
Net assets with donor restrictions	<u>1,760,298</u>	<u>1,518,858</u>
Total Net Assets	<u>2,599,351</u>	<u>2,356,486</u>
Total Liabilities and Net Assets	<u>\$ 2,602,189</u>	<u>\$ 2,384,806</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020 With Summarized Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Contributions	\$ 24,196	\$ 394,704	\$ 418,900	\$ 731,933
Fundraisers:				
Contributions from special events	60,864		60,864	89,129
Donated goods and services	292,445	17,663	310,108	320,436
Investment income, net	928	134,037	134,965	191,647
Change in value of charitable remainder trust		25,482	25,482	
Total Support and Revenue	<u>378,433</u>	<u>571,886</u>	<u>950,319</u>	<u>1,333,145</u>
Net assets released from restriction and reclassifications	<u>330,446</u>	<u>(330,446)</u>		
Total Support, Revenue and Reclassifications	708,879	241,440	950,319	1,333,145
EXPENSES				
Program services:				
Scholarships and grants	330,731		330,731	125,582
Program specific support	<u>253,428</u>		<u>253,428</u>	<u>406,094</u>
Total Program Services	584,159		584,159	531,676
Supporting services:				
General and administrative	102,125		102,125	101,425
Fundraising	<u>21,170</u>		<u>21,170</u>	<u>28,934</u>
Total Supporting Services	123,295		123,295	130,359
Total Expenses	<u>707,454</u>		<u>707,454</u>	<u>662,035</u>
Change in Net Assets	1,425	241,440	242,865	671,110
NET ASSETS AT BEGINNING OF YEAR	<u>837,628</u>	<u>1,518,858</u>	<u>2,356,486</u>	<u>1,685,376</u>
NET ASSETS AT END OF YEAR	<u>\$ 839,053</u>	<u>\$ 1,760,298</u>	<u>\$ 2,599,351</u>	<u>\$ 2,356,486</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, 2020 and 2019

	2020				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 32,329			\$ 32,329
Bank service charges			\$ 1,544	\$ 265	1,809
Board meeting and college promotion		8,819	504		504
Donated goods expense				10	8,829
Donated services expense		172,685	81,015	9,857	9,857
Donor recognition			91		260,155
Emergency grants	\$ 213,193				91
Faculty and staff awards	7,000				213,193
Hospitality			15	554	7,000
Insurance			1,408		569
License and permits			85	60	1,408
Meals			126		145
Professional services			16,500		126
Purchased services				1,410	16,500
Scholarship awards	110,538				1,410
Supplies			837	2,559	110,538
Transfers of donated goods to CPTC		39,595			3,396
					39,595
Total Expenses	\$ 330,731	\$ 253,428	\$ 102,125	\$ 21,170	\$ 707,454

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, 2020 and 2019

	2019				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 91,276			\$ 91,276
Bank service charges			\$ 880	\$ 1,078	1,958
Board meeting and college promotion		10,516	1,047		1,047
Donated goods expense		30,676		5,346	36,022
Donated services expense		172,712	83,262	6,457	262,431
Donor recognition			10	100	110
Emergency grants	\$ 20,593				20,593
Faculty and staff awards	5,589				5,589
Insurance			1,723		1,723
License and permits			88	60	148
Meals			182	457	639
Purchased services			13,500	9,850	23,350
Scholarship awards	99,400				99,400
Supplies			293	5,586	5,879
Training			440		440
Transfers of donated goods to CPTC		100,914			100,914
Total Expenses	\$ 125,582	\$ 406,094	\$ 101,425	\$ 28,934	\$ 662,035

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 242,865	\$ 671,110
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gain on investments, net	(129,017)	(172,259)
Contributions restricted to endowment	(109,808)	(52,500)
Change in liability under trust agreement	(25,482)	
(Increase) decrease in assets:		
Accounts receivable	2,673	(2,288)
Prepaid expenses		1,064
Pledges receivable	11,500	(9,000)
Donated goods inventory	(500)	78,930
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(8,797)
Net Cash Provided (Used) by Operating Activities	<u>(7,769)</u>	<u>506,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,216,793	270,232
Purchases of investments	(1,788,312)	(316,021)
Change in charitable remainder trust, net	712	(3,082)
Withdrawal from charitable remainder trust	5,676	5,676
Net Cash Used by Investing Activities	<u>(565,131)</u>	<u>(43,195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from endowment contributions	109,808	52,500
Payments to beneficiary of charitable remainder trust	(5,676)	(5,676)
Net Cash Provided by Financing Activities	<u>104,132</u>	<u>46,824</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>(468,768)</u>	<u>509,889</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>968,913</u>	<u>459,024</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 500,145</u>	<u>\$ 968,913</u>

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

Agreement with Clover Park Technical College

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

Basis of Presentation

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$20,313 and \$26,563 for the years ended December 31, 2020 and 2019, respectively. The allowance is based on an analysis of specific donors, taking into consideration the age of past due amounts. It is the Foundation's policy to charge off uncollectible pledges and accounts receivable when management determines the receivable will not be collected. The accounts receivable were \$628 at December 31, 2018.

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.

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 fair value of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts, such as for scholarships and grants awarded.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Split Interest Agreement

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

Contributions

Contributions, including unconditional promises to give, are recognized 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

In 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 2020 and 2019 approximated \$900 and \$2,950, respectively, and are included in contributions without donor restrictions.

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, 2020 and 2019, which may differ from the actual support provided to the Foundation (see Note 11).

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, 2020 and 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Recent Accounting Pronouncements

Revenue From Contracts with Customers

On July 1, 2020, the Foundation adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606), as amended. The guidance includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, which will impact the timing of revenue recognition. With the exception of the fundraising activities, all of the Foundation's revenue is derived from contributions rather than from an exchange transaction since the asset provider does not receive commensurate value in return. Other than the presentation for fundraising activities, the adoption of this guidance did not result in significant changes in the way that the Foundation records its support and revenue.

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. Management determined that the exchange portion of fundraising activities was insignificant for the years ended December 31, 2020 and 2019, respectively.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

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, 2020 and 2019.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform to the current year presentation. These reclassifications have no effect on the previously reported statement of financial position, results of operations or cash flows.

Subsequent Events

Management has evaluated subsequent events through December 7, 2021, which is the date that the financial statements are available to be issued.

Summarized Information for 2019

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, 2019, from which the summarized information is derived.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 494,545	\$ 944,707
Accounts and pledges receivable	243	59,416
Funds held in reserve	<u>(69,929)</u>	<u>(553,788)</u>
Total	<u>\$ 424,859</u>	<u>\$ 450,335</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - PLEDGES RECEIVABLE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Less than one year		\$ 56,500	\$ 2,500
One to five years	\$ <u>95,313</u>	<u>56,563</u>	<u>101,563</u>
Total	95,313	113,063	104,063
Less Allowance for uncollectible pledges	<u>(20,313)</u>	<u>(26,563)</u>	<u>(26,563)</u>
Pledges receivable, net	75,000	86,500	77,500
Less Current Portion	<u> </u>	<u>(56,500)</u>	<u>(2,500)</u>
 Total Pledges Receivable, Long-term	 \$ <u>75,000</u>	 \$ <u>30,000</u>	 \$ <u>75,000</u>

During 2020, the allowance and pledges receivable were both decreased by \$6,250.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

Investments

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

Charitable Remainder Annuity Trust

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

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Fair Value Measurements

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 59,353	\$ 55,935
Distribution to beneficiary	(5,676)	(5,676)
Net earnings	<u>4,964</u>	<u>9,094</u>
Ending Balance	\$ <u>58,641</u>	\$ <u>59,353</u>

NOTE 5 - CHARITABLE REMAINDER ANNUITY TRUST (CRAT)

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

The trust asset is reported at fair market value, which was \$58,641 and \$59,353 at December 31, 2020 and 2019, respectively. The donor passed away in 2021 and the liability at December 31, 2020 has been adjusted accordingly. The present value of the related liability recorded was determined at December 31, 2020 by using a discount rate of 1.8% and the estimated life expectancy of the donor of 6.1 years. The liability is \$2,838 and \$28,320 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the fair value of the trust investments exceeds the projected annuity liability by \$55,803 and \$31,033, respectively.

NOTE 6 - INVESTMENTS

The Foundation maintains three "pooled" investment accounts for its donor-restricted endowments at December 31, 2020 and 2019.

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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - INVESTMENTS (Continued)

Interpretation of SPMIFA

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

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

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

Allocation of Investment Income

Realized and unrealized gains and losses from securities in the pooled investment account are allocated to the individual endowments based on the relationship of the 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.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - INVESTMENTS (Continued)

Investments at December 31 consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Assets held in charitable remainder trust	\$ 55,129	\$ 58,641	\$ 54,552	\$ 59,353
Investments - long-term:				
Money funds (see Note 7)	507,709	507,709	87,411	87,411
Equities	464,605	497,234	679,433	772,521
Mutual funds	327,604	369,781	20,000	20,911
Fixed income funds	450,920	448,938	339,930	346,226
Bonds	<u>104,401</u>	<u>103,943</u>		
Total Investments - long-term	<u>1,855,239</u>	<u>1,927,605</u>	<u>1,126,774</u>	<u>1,227,069</u>
Total Investments	<u>\$ 1,910,368</u>	<u>\$ 1,986,246</u>	<u>\$ 1,181,326</u>	<u>\$ 1,286,422</u>

Investment Income

Investment income consists of the following for the year ended December 31, 2020:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 928	\$ 21,795	\$ 22,723
Realized gain, net		156,946	156,946
Unrealized loss, net		(27,929)	(27,929)
Change in CRAT, net		(712)	(712)
Investment fees	—	<u>(16,063)</u>	<u>(16,063)</u>
	<u>\$ 928</u>	<u>\$ 134,037</u>	<u>\$ 134,965</u>

Investment income consists of the following for the year ended December 31, 2019:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 1,260	\$ 25,589	\$ 26,849
Realized gain, net		15,654	15,654
Unrealized gain, net		156,605	156,605
Change in CRAT, net		3,082	3,082
Investment fees	—	<u>(10,543)</u>	<u>(10,543)</u>
	<u>\$ 1,260</u>	<u>\$ 190,387</u>	<u>\$ 191,647</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - INVESTMENTS (Continued)

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>2020</u>	<u>2019</u>
Without donor restrictions (see Note 8)	\$ 628,706	\$ 128,706
With donor restrictions	<u>1,357,540</u>	<u>1,157,716</u>
Total	<u>\$ 1,986,246</u>	<u>\$ 1,286,422</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>2020</u>		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 59,353	\$ 1,227,069	\$ 1,286,422
Contributions		631,327	631,327
Distributions	(5,676)	(65,540)	(71,216)
Interest and dividends	963	21,795	22,758
Realized gain	7,331	156,946	164,277
Unrealized loss	(1,289)	(27,929)	(29,218)
Investment fees	<u>(2,041)</u>	<u>(16,063)</u>	<u>(18,104)</u>
Ending Balance	<u>\$ 58,641</u>	<u>\$ 1,927,605</u>	<u>\$ 1,986,246</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - INVESTMENTS (Continued)

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

	2019		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 55,935	\$ 1,009,021	\$ 1,064,956
Contributions		51,875	51,875
Distributions	(5,676)	(21,132)	(26,808)
Interest and dividends	1,202	25,589	26,791
Realized gain	1,070	15,654	16,724
Unrealized gain	7,898	156,605	164,503
Investment fees	<u>(1,076)</u>	<u>(10,543)</u>	<u>(11,619)</u>
Ending Balance	\$ <u>59,353</u>	\$ <u>1,227,069</u>	\$ <u>1,286,422</u>

NOTE 7 - CASH-MONEY FUNDS

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

	<u>2020</u>	<u>2019</u>
Exceptional Faculty Fund	\$ 4,593	\$ 6,848
Regular Endowments Fund	482,645	55,872
Title III Funds	<u>20,471</u>	<u>24,691</u>
Total	\$ <u>507,709</u>	\$ <u>87,411</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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>2020</u>	<u>2019</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	500,000	
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	6,569	3,788
WA State Histology Society	1,129	1,129
Operating reserves	<u>63,360</u>	<u>550,000</u>
Total	<u>\$ 698,635</u>	<u>\$ 682,494</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 in the pooled investment account at December 31, 2020 and 2019 was \$628,706 and \$128,706, respectively.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure or time restrictions:		
Academic programs and staff/faculty awards	\$ 176,727	\$ 177,758
Endowment matching fund contributions (a)	150,000	150,000
Scholarships and student emergency assistance	180,297	148,531
Restricted for next fiscal year	3,000	3,000
Donated goods	40,755	40,255
Investment earnings restricted for future scholarships and grants	255,396	182,683
Charitable remainder trust excess of trust assets over obligation (see Note 5)	<u>55,803</u>	<u>31,033</u>
Total subject to expenditure or time restrictions	<u>861,978</u>	<u>733,260</u>
Endowments to be held in perpetuity:		
Scholarships, awards and emergency assistance (see Note 10)	<u>898,320</u>	<u>785,598</u>
Total endowments to be held in perpetuity	<u>898,320</u>	<u>785,598</u>
Total net assets with donor restrictions	<u>\$ 1,760,298</u>	<u>\$ 1,518,858</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, 2020 and 2019

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>2020</u>	<u>2019</u>
Adriatic Grill	\$ 5,770	\$ 5,770
Autobody Craftsman	24,729	24,729
Brenden Emerging Needs	30,499	30,499
Brenden Horticulture and Environmental Science	71,164	71,164
Pauline Burton Memorial	11,500	11,500
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	48,000	48,000
Emergency Grants	76,773	73,986
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	101,000	100,000
Harkness Family	91,962	79,738
Leila Bishuti Lee	7,009	7,009
Lincoln Park Masonic Lodge #80	15,000	
Dr. Sharon McGavick	15,423	15,423
McGranahan	19,055	18,935
McManus-McGavick	22,676	22,676
Jolly-Morse Scholarship	10,514	10,464
Mt. Tahoma	9,595	1,358
Rainier Pacific Bank	10,000	10,000
Schoonmaker, Linda J. and Ronald A.	10,250	10,000
Senator Winsley	10,000	10,000
Sharpe Memorial	15,973	15,973
Sonntag Family Scholarship	13,545	13,245
South Tacoma Rotary	19,000	19,000
US West	20,000	20,000
Washington Restaurant	10,000	10,000
Washington State Histology Society	10,871	10,871
Wendy Joseph Cares	7,850	
Earl C. White Williamson	54,904	
Woodworth	<u>10,000</u>	
Total	<u>\$ 898,320</u>	<u>\$ 785,598</u>

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019. The value of these services received by the Foundation approximated \$249,000 and \$244,000 for the years ended December 31, 2020 and 2019, respectively.

Foundation Support Provided to College

The Foundation provided support totaling \$584,159 and \$531,676 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 494,545	\$ 944,707
Cash restricted to endowment	<u>5,600</u>	<u>24,206</u>
Cash, cash equivalents and restricted cash as shown in the statement of cash flows	<u>\$ 500,145</u>	<u>\$ 968,913</u>

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.

Non-cash investing and financing activities includes an adjustment of \$25,482 to reflect the estimated CRAT liability at December 31, 2020.

CLOVER PARK TECHNICAL COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 13 - 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 Board member through December 31, 2020, comprises 100% and 86% of total pledges receivable as of December 31, 2020 and 2019, 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.

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.