
PENINSULA COLLEGE FOUNDATION
A Washington Non-Profit Corporation

Financial Statements

For the Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors
Peninsula College Foundation
Port Angeles, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Peninsula College Foundation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Peninsula College Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Peninsula College Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Peninsula College Foundation's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 the Peninsula 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 the Peninsula 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.

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

September 20, 2023

Montesano, Washington

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

As of June 30,	2023	2022
Assets		
Assets:		
Cash & cash equivalents	\$ 1,853,261	\$ 1,670,347
Contributions receivable (less discount of \$4,840 and \$6,205 for 2023 and 2022, respectively)	110,410	171,921
Loans and miscellaneous receivables	193,449	102,974
Custodial funds	442,615	407,054
Investments	69,953	62,910
Assets restricted for endowment	5,014,885	4,477,187
Total Assets	\$ 7,684,573	\$ 6,892,393
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 95,470	\$ 175,134
Custodial funds liability	442,615	407,054
Total Liabilities	538,085	582,188
Net Assets:		
Without donor restrictions:		
Undesignated	210,696	183,927
Total Net Assets Without Donor Restrictions	210,696	183,927
With donor restrictions	6,935,792	6,126,278
Total Net Assets	7,146,488	6,310,205
Total Liabilities and Net Assets	\$ 7,684,573	\$ 6,892,393

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30,	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Public support:			
Contributions	\$ 39,893	\$ 926,038	\$ 965,931
In-kind contributions	248,365	-	248,365
Pirate Athletic Association	109,587	-	109,587
Investment income	39,422	206,120	245,542
Net realized & unrealized gain (loss) on investments	10,790	283,009	293,799
Net assets released from restrictions	605,653	(605,653)	-
Total Support and Revenue	1,053,710	809,514	1,863,224
Expenses:			
Program Services	892,538	-	892,538
Management and General	94,786	-	94,786
Fundraising	39,617	-	39,617
Total Expenses	1,026,941	-	1,026,941
Increase (Decrease) in Net Assets	26,769	809,514	836,283
Net Assets, Beginning of Year	183,927	6,126,278	6,310,205
Net Assets, End of Year	\$ 210,696	\$ 6,935,792	\$ 7,146,488

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

The Peninsula College Foundation
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Statement of Activities and Changes in Net Assets

For the Year Ended June 30,	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Public support:			
Contributions	\$ 38,772	\$ 839,676	\$ 878,448
In-kind contributions	228,226	-	228,226
Pirate Athletic Association	93,737	-	93,737
Investment income	4,435	274,229	278,664
Net realized & unrealized gain (loss) on investments	(30,121)	(1,047,897)	(1,078,018)
Net assets released from donor restrictions	596,925	(596,925)	-
Total Support and Revenue	<u>931,974</u>	<u>(530,917)</u>	<u>401,057</u>
Expenses:			
Program Services	718,232	-	718,232
Management and General	96,684	-	96,684
Fundraising	39,923	-	39,923
Total Expenses	<u>854,839</u>	<u>-</u>	<u>854,839</u>
Increase (Decrease) in Net Assets	77,135	(530,917)	(453,782)
Net Assets, Beginning of Year	<u>106,792</u>	<u>6,657,195</u>	<u>6,763,987</u>
Net Assets, End of Year	<u>\$ 183,927</u>	<u>\$ 6,126,278</u>	<u>\$ 6,310,205</u>

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

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Statement of Functional Expenses

	For the Year Ended June 30,			2023
	Program Services	Management & General	Fundraising	Total
Student support	\$ 537,094	\$ -	\$ -	\$ 537,094
Program assistance	149,549	-	-	149,549
Pirate Athletic Association	40,618	-	-	40,618
Salaries, taxes, & benefits	30,116	5,647	1,882	37,645
Professional fees	-	6,940	-	6,940
In-kind expense	135,161	75,469	37,735	248,365
Insurance	-	3,359	-	3,359
Office supplies	-	570	-	570
Bank fees	-	124	-	124
Miscellaneous	-	2,677	-	2,677
Total	\$ 892,538	\$ 94,786	\$ 39,617	\$ 1,026,941

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

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Statement of Functional Expenses

For the Year Ended June 30,

2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Student support	\$ 454,672	\$ -	\$ -	\$ 454,672
Program assistance	73,043	-	-	73,043
Pirate Athletic Association	24,494	-	-	24,494
Recognition	-	119	-	119
Salaries, taxes, & benefits	48,476	9,089	3,030	60,595
Professional fees	-	6,425	-	6,425
In-kind expense	117,547	73,786	36,893	228,226
Insurance	-	2,441	-	2,441
Office supplies	-	297	-	297
Bank fees	-	237	-	237
Miscellaneous	-	4,290	-	4,290
Total	\$ 718,232	\$ 96,684	\$ 39,923	\$ 854,839

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

THE PENINSULA COLLEGE FOUNDATION
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Statement of Cash Flows

For the Year Ended June 30,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 836,283	\$ (453,782)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(539,341)	799,354
(Increase) Decrease in contributions receivable	61,511	77,884
(Increase) Decrease in loans and miscellaneous receivables	(90,475)	(2,100)
Increase (Decrease) in accounts payable	(79,664)	59,583
Net Cash Provided (Used) by Operating Activities	188,314	480,939
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from investments	470,406	508,348
Cash paid for investments	(475,806)	(387,506)
Net Cash Provided (Used) By Investing Activities	(5,400)	120,842
CASH FLOWS FROM FINANCING ACTIVITIES:		
	-	-
Net Increase (Decrease) in Cash	182,914	601,781
Cash, Beginning of Year	1,670,347	1,068,566
Cash, End of Year	\$ 1,853,261	\$ 1,670,347

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

The Peninsula College Foundation
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Notes to Financial Statements

June 30, 2023 and 2022

A. PURPOSE OF THE FOUNDATION

Organization's purpose--

The Peninsula College Foundation (the Foundation) is a non-profit corporation created for the purpose of providing support to students and programs at Peninsula College (the College). The Foundation involves people in philanthropy in support of its mission and creates funding partnerships that result in programming to meet local industry workforce needs. Contributions to the Foundation support student scholarships and grants, faculty professional development, new and existing programs, and capital needs for all Peninsula College campuses. The Foundation mission of creating access, excellence and success for the College community is enhanced by the alignment of its strategic goals with those established by the College.

B. PRINCIPLE PROGRAMS

College program support--

The Foundation works closely with College leadership to adopt strategic initiatives that reflect the needs and goals of the College. Guided by these initiatives, and in partnership with its donor partners, the Foundation provides monetary and in-kind support for College programs and financial support to students through scholarships and grants.

Scholarships and grants--

The Foundation provides scholarships and grants to help meet the needs of Peninsula College students. Scholarships range from supporting students with no resources, regardless of academic standing, to students who excel academically. Emergency grant assistance is provided for students with unexpected financial need who, without support, would drop out of College. Endowments are the primary financial vehicle used to support long-term scholarships. Additionally, several donors provide scholarship funds annually for distribution.

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting--

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation--

The Foundation follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Foundation is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Foundation

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Notes to Financial Statements

June 30, 2023 and 2022

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Estimates--

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax--

The Foundation is a tax exempt non-profit organization under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a).

Advertising--

The Foundation's policy is to expense advertising costs as they are incurred.

Functional allocation of expenses--

Expenses are charged to each program based on direct expenditures incurred. Administration costs include those expenses that are not directly identifiable with any other specific program function but provide for the overall support and direction of the Foundation. Fundraising costs, including costs of special events, are incurred to encourage potential donors to make contributions to the Foundation.

Cash and cash equivalents--

All time deposits, certificates of deposit, and short-term highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Investments--

The Foundation's investment objectives are to maximize total return and preserve capital, while minimizing credit risk and avoiding excessive market risk. An investment company is currently managing the majority of the Foundation investments. Investment income is reported net of investment management fees. Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Investments are reported in the statements as investments and as assets restricted for endowments.

D. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation, although it expects to receive current support to fund operations for 2024 and later years, has \$306,166 and \$359,061 of financial assets available within one year of the statement of financial position dates on June 30, 2023 and 2022, respectively, to meet cash needs for general operating expenditures of the Foundation. Financial assets available within one year consist of the following:

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Notes to Financial Statements

June 30, 2023 and 2022

		<u>2023</u>		<u>2022</u>
Financial assets at year end	\$	7,684,573	\$	6,892,393
Custodial fund		(442,615)		(407,054)
Donor restricted to purpose		<u>(6,935,792)</u>		<u>(6,126,278)</u>
Financial assets available to meet cash needs within one year	\$	<u>306,166</u>	\$	<u>359,061</u>

E. RECOGNITION OF CONTRIBUTION REVENUE

Contributions are recognized when received or when a donor makes an unconditional promise to give to the Foundation. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

F. ENDOWMENT FUNDS

The Foundation manages endowments funds established by individuals and other entities that are permanently restricted. Investment earnings and not the principal may be distributed in the form of scholarships or other support. Earnings may not be distributed each year. Losses that reduce the assets in the endowment below the level required by donor stipulations are recorded to donor restricted net assets. The Foundation has also initiated endowment campaigns in order to solicit additional permanently restricted donations.

The Foundation's board approved an investment and spending policy on March 30, 2023, for continuing support of scholarships and program assistance. The primary investment objectives of the Foundation are to provide adequate total returns to meet the funding needs of the Foundation, maintain sufficient liquidity to meet planned uses, and to preserve the real purchasing power of the principal. The Foundation adheres to Washington States Uniform Prudent Management of Institutional Funds Act requirements for investment management and endowment fund spending.

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Notes to Financial Statements

June 30, 2023 and 2022

The Foundation's endowment spending policy is to spend 4% of a three year moving average of quarterly market values. No awards or expenditure is made when endowment funds fall below original principal. Excess earnings and amounts above principal not currently used or expended are available for use in down market years. The Foundation charges a administrative fee of 2% of the market value of the endowment funds in addition to fees charged by investment managers.

Endowment Composition by Type of Fund -June 30, 2023

	<u>With Temporary Donor Restrictions</u>	<u>With Permanent Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,171,871	\$ 3,843,014	\$ 5,014,885
Total donor-restricted	<u>\$ 1,171,871</u>	<u>\$ 3,843,014</u>	<u>\$ 5,014,885</u>

Permanent endowment funds were \$33,479 less than the original gift at June 30, 2023.

Endowment Composition by Type of Fund -June 30, 2022

	<u>With Temporary Donor Restrictions</u>	<u>With Permanent Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 878,790	\$ 3,598,397	\$ 4,477,187
Total donor-restricted	<u>\$ 878,790</u>	<u>\$ 3,598,397</u>	<u>\$ 4,477,187</u>

Permanent endowment funds were \$178,562 less than the original gift at June 30, 2022.

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Notes to Financial Statements

June 30, 2023 and 2022

Changes in Endowment Net Assets for the Year Ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>With Permanent Restrictions</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 878,790	\$ 3,598,397	\$ 4,477,187
Investment return:				
Investment income	-	305,144	-	305,144
Investment fee	-	(22,134)	-	(22,134)
Net appreciation (realized and unrealized)	-	21,378	184,742	206,120
Management fee	-	(89,919)	-	(89,919)
Total investment return	-	214,469	184,742	399,211
Contributions	-	105,054	59,875	164,929
Appropriation of donor restricted assets for expenditure	-	(26,442)	-	(26,442)
Net assets with donor restrictions				
end of period	\$ -	\$ 1,171,871	\$ 3,843,014	\$ 5,014,885

Changes in Endowment Net Assets for the Year Ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>With Permanent Restrictions</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 1,607,543	\$ 3,778,748	\$ 5,386,291
Investment return:				
Investment income	-	262,969	-	262,969
Investment fee	-	(19,030)	-	(19,030)
Net depreciation (realized and unrealized)	-	(820,027)	(227,870)	(1,047,897)
Management fee	-	(108,218)	-	(108,218)
Total investment return	-	(684,306)	(227,870)	(912,176)
Contributions	-	93,162	47,519	140,681
Appropriation of donor restricted assets for expenditure	-	(137,609)	-	(137,609)
Net assets with donor restrictions				
end of period	\$ -	\$ 878,790	\$ 3,598,397	\$ 4,477,187

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Notes to Financial Statements

June 30, 2023 and 2022

The Foundation's permanently restricted endowment fund net assets at June 30, 2023, were composed of the following:

	2023
Exceptional faculty awards	\$ 461,338
Scholarships and Program Awards	3,381,676
	\$ 3,843,014

The Foundation's permanently restricted endowment fund net assets at June 30, 2022, were composed of the following:

	2022
Exceptional faculty awards	\$ 424,273
Scholarships and Program Awards	3,174,124
	\$ 3,598,397

G. NET ASSETS COMPOSITION

The Foundation's net assets with donor restrictions are composed of donor restricted scholarship funds, donor restricted program funds, other purpose restricted donations, and endowment funds.

	2023	2022
Without Donor Restrictions:		
Undesignated	\$ 210,696	\$ 183,927
Total:	\$ 210,696	\$ 183,927
With Donor Restrictions:		
Donor restricted-scholarships	\$ 862,035	\$ 749,741
Donor restricted-college programs	1,058,872	899,350
Endowments-available for appropriation	1,171,871	878,790
Endowments-principal	3,843,014	3,598,397
Total:	\$ 6,935,792	\$ 6,126,278

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Notes to Financial Statements

June 30, 2023 and 2022

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors for the year ended June 30, 2023, and are as follows:

	<u>2023</u>
Scholarships	\$ 268,963
College programs and departments	296,072
Time restriction	<u>40,618</u>
	<u>\$ 605,653</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors for the year ended June 30, 2022, and are as follows:

	<u>2022</u>
Scholarships	\$ 369,891
College programs and departments	184,395
Time restriction	<u>42,639</u>
	<u>\$ 596,925</u>

H. RELATED PARTY TRANSACTIONS AND INKIND REVENUE

Peninsula College provided the Foundation with office space, employee support, business office support, custodial, human resources, payroll, office supplies, and other services at a cost of \$213,734 and \$213,614 for the years ended June 30, 2023 and 2022, respectively. The support received from Peninsula College has been recorded as in-kind revenue and expense in the statement of activities and changes in net assets and statement of functional expenses, respectively. The Foundation also receives donated goods and services used in college programs and for events.

I. CONCENTRATION OF CREDIT RISK

The Foundation maintains accounts with one stock brokerage firm and accounts with a commercial bank. The brokerage accounts contain cash and securities. Cash balances deposited at banks and amounts deposited at participating outside banks by the stock brokerage firm are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation. Security balances are insured up to \$500,000 (with limits of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). The brokerage firm has purchased additional SIPC (Excess SIPC) protection from London insurers with an aggregate firm limit of \$150 million, including a maximum cash limit of \$900,000 per customer for cash above the basic SIPC Protection.

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Notes to Financial Statements

June 30, 2023 and 2022

J. INVESTMENTS

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2023:

	<u>Investments</u>	<u>Custodial Funds</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 69,953	\$ 442,615	\$ 5,014,885	\$ 5,527,453	\$ 4,793,302
	<u>\$ 69,953</u>	<u>\$ 442,615</u>	<u>\$ 5,014,885</u>	<u>\$ 5,527,453</u>	<u>\$ 4,793,302</u>

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2022:

	<u>Investments</u>	<u>Custodial Funds</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 62,910	\$ 407,054	\$ 4,477,187	\$ 4,947,151	\$ 4,787,902
	<u>\$ 62,910</u>	<u>\$ 407,054</u>	<u>\$ 4,477,187</u>	<u>\$ 4,947,151</u>	<u>\$ 4,787,902</u>

Investment income is composed of the following for the year ended June 30, 2023:

	<u>Total</u>
Dividends & Interest	\$ 267,676
Investment Fees	<u>(22,134)</u>
Investment Income	<u>\$ 245,542</u>

Investment income is composed of the following for the year ended June 30, 2022:

	<u>Total</u>
Dividends & Interest	\$ 306,395
Investment Fees	<u>(27,731)</u>
Investment Income	<u>\$ 278,664</u>

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Notes to Financial Statements

June 30, 2023 and 2022

K. COMMITMENTS

Grants and bequests require the fulfillment of certain conditions as set forth in the grant award. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the management and the board of the Foundation considers the return of such funds remote, since by accepting the gifts and their terms, it has accepted the responsibility for and intends to fulfill its conditions.

L. SUBSEQUENT EVENTS

See Note M for subsequent event for a note receivable arrangement.

No other events have occurred through September 20, 2023, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2023.

M. LOANS AND MISCELLANEOUS RECEIVABLES

The Foundation carries receivables for short term loans to students at Peninsula College and for other miscellaneous purposes. Loans receivable to students and other miscellaneous receivables totaled \$0 and \$2,974 as of June 30, 2023 and 2022, respectively. No interest is charged on these receivables and no material amounts were past due (defined as outstanding greater than 90 days) as of June 30, 2023.

The Foundation, on July 31, 2017, entered into a loan arrangement with Collegiate Housing International Port Angeles, LLC (the LLC). The Foundation provided a \$100,000 loan to the LLC to assist in the construction of student centered housing in Port Angeles. The terms of the agreement require interest only payments at 5% per annum on a quarterly basis. The entire principal balance was due on July 31, 2022.

In September of 2022, The Foundation signed an amended promissory note and loan agreement extending the note due date for one year to July 31, 2023, and increasing the note interest rate, on July 31, 2022, to 6% per annum. The note, including accrued interest, was paid in full on August 7, 2023.

The loan balance, including accrued interest, was \$100,000 and \$100,000 at June 30, 2023 and 2022, respectively. The loan was secured by an interest in real property. The Foundation funded the loan using \$90,000 of restricted vocational program funds and \$10,000 of unrestricted funds.

N. CONTRIBUTIONS RECEIVABLE

The Foundation receives unconditional promises to give from numerous individuals. No allowance for uncollectible contributions has been provided as all contributions receivable are expected to be collected. As of June 30, 2023 and 2022, total contributions receivable was \$115,250 and \$178,126, respectively.

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Notes to Financial Statements

June 30, 2023 and 2022

The Foundation has provided a discount to present value of \$4,840 and \$6,205 at June 30, 2023 and 2022, respectively, for the portion of contributions to be collected in periods greater than one year from June 30, 2023 and 2022. A discount rate of 4% has been used.

Future maturities of pledge receivables are as follows as of June 30, 2023:

	<u>2023</u>
Year Ended June 30:	
2024	\$ 115,250
Discount	<u>(4,840)</u>
	<u>\$ 110,410</u>

O. UNCERTAIN TAX POSITIONS

The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2023, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

P. FAIR VALUE MEASUREMENT

The Foundation has adopted Accounting Standards Codification 958. ASC 958, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 958 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2: Inputs to valuation methodology include: Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Money Funds: The investments are reported at face value plus accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2023:

Assets at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 5,422,663	\$ -	\$ -	\$ 5,422,663
Money Market Funds	-	104,790	-	104,790
Total Assets at Fair Value:	\$ 5,422,663	\$ 104,790	\$ -	\$ 5,527,453

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022:

Assets at Fair Value as of June 30, 2022

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 4,850,170	\$ -	\$ -	\$ 4,850,170
Money Market Funds	-	96,981	-	96,981
Total Assets at Fair Value:	\$ 4,850,170	\$ 96,981	\$ -	\$ 4,947,151

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Q. JOINT VENTURES

The Foundation entered into a tax credit agreement and subsequently created joint ventures to manage the activity. The Foundation is the general partner in one of the entities; however, the LLC agreement limits their ability to receive a benefit. The Foundation entered into the agreement for the purpose of generating funds to rehabilitate a historic building that Peninsula College uses as part of their campus. The building is owned by the Washington State Park Service and they will continue to keep the legal ownership while allowing Peninsula College to use the facility through a lease arrangement.

R. CUSTODIAL FUND

The Foundation received \$500,000 from the College in the year ended June 30, 2018, to invest and manage for the benefit of the College. The funds have been invested in combination with the Foundation's endowment funds. However, the agreement between the Foundation and College allows the College discretion in taking distribution of some or all of the funds without restriction. The Foundation has determined that the arrangement, unlike other endowed funds, is more properly classified as a custodial fund. A custodial fund asset and corresponding liability of \$442,615 has been presented in the financial statements which represents the original \$500,000 College investment, less distributions, plus earnings retained in the fund up to June 30, 2023. An additional \$95,470 in earnings on the fund has been recorded as a liability in accounts payable and will be paid to the College in the near term.