
PENINSULA COLLEGE FOUNDATION
A Washington Non-Profit Corporation

Financial Statements

For the Six Months Ended June 30, 2015

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Peninsula College Foundation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peninsula College Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders

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

September 15, 2015

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

| June 30, | 2015 |
|---|---------------------|
| Assets | |
| Assets: | |
| Cash & cash equivalents | \$ 417,974 |
| Contributions receivable | 20,350 |
| Loans receivable | 6,845 |
| Prepaid expense | 82 |
| Investments | 83,122 |
| Assets restricted for endowment | 1,078,821 |
| Total Assets | \$ 1,607,194 |
| Liabilities and Net Assets | |
| Liabilities: | |
| Accounts payable | 4,639 |
| Total Liabilities | 4,639 |
| Net Assets: | |
| Unrestricted: | |
| Undesignated | 281,215 |
| Total Unrestricted Net Assets | 281,215 |
| Temporarily restricted | 330,558 |
| Permanently restricted | 990,782 |
| Total Net Assets | 1,602,555 |
| Total Liabilities and Net Assets | \$ 1,607,194 |

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

| Six Months Ended June 30, | 2015 | | | |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Support and Revenue: | | | | |
| Public support: | | | | |
| Contributions | \$ 3,797 | \$ 115,402 | \$ - | \$ 119,199 |
| Event Income | 2,136 | - | - | 2,136 |
| Less: direct event expense | (3,096) | - | - | (3,096) |
| Inkind contributions | 99,126 | - | - | 99,126 |
| Pirate Athletic Association | 58,970 | - | - | 58,970 |
| Investment income | 425 | 5,525 | - | 5,950 |
| Net realized & unrealized gain (loss) on investments | 1,239 | 13,360 | - | 14,599 |
| Transfers | - | (53,187) | 53,187 | - |
| Net assets released from restrictions | 189,222 | (189,222) | - | - |
| Total Support and Revenue | 351,819 | (108,122) | 53,187 | 296,884 |
| Expenses: | | | | |
| Program Services | 226,834 | - | - | 226,834 |
| Management and General | 61,537 | - | - | 61,537 |
| Fundraising | 34,475 | - | - | 34,475 |
| Total Expenses | 322,846 | - | - | 322,846 |
| Increase (Decrease) in Net Assets | 28,973 | (108,122) | 53,187 | (25,962) |
| Net Assets, Beginning of Year | 252,242 | 438,680 | 937,595 | 1,628,517 |
| Net Assets, End of Year | \$ 281,215 | \$ 330,558 | \$ 990,782 | \$ 1,602,555 |

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Functional Expenses

Six Months Ended June 30,

2015

| | Program Services | Management & General | Fundraising | Total |
|-----------------------------|-----------------------------|-------------------------------------|--------------------|-------------------|
| Student support | \$ 132,687 | \$ - | \$ - | \$ 132,687 |
| Program assistance | 47,534 | - | - | 47,534 |
| Recognition | - | - | 300 | 300 |
| Salaries, taxes, & benefits | 5,951 | 19,785 | 12,050 | 37,786 |
| Professional fees | - | 3,700 | - | 3,700 |
| Inkind expense | 40,662 | 36,339 | 22,125 | 99,126 |
| Insurance | - | 494 | - | 494 |
| Professional development | - | 245 | - | 245 |
| Office supplies | - | 66 | - | 66 |
| Bank fees | - | 596 | - | 596 |
| Miscellaneous | - | 312 | - | 312 |
| Total | \$ 226,834 | \$ 61,537 | \$ 34,475 | \$ 322,846 |

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

THE PENINSULA COLLEGE FOUNDATION
A Washington Non-Profit Corporation

Statement of Cash Flows

| Six Months Ended June 30, | 2015 |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in Net Assets | \$ (25,962) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| (Gain) loss on investments | (14,599) |
| (Increase) Decrease in contributions receivable | (2,960) |
| (Increase) Decrease in loans receivable | 3,082 |
| (Increase) Decrease in prepaid expenses | 494 |
| Increase (Decrease) in accounts payable | (886) |
| Net Cash Provided (Used) by Operating Activities | (40,831) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Sale of investments | 175,359 |
| Purchase of investments | (181,565) |
| Net Cash Provided (Used) By Investing Activities | (6,206) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Net Cash Provided (Used) By Financing Activities | - |
| Net Increase (Decrease) in Cash | (47,037) |
| Cash, Beginning of Year | 465,011 |
| Cash, End of Year | \$ 417,974 |

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, 2015

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 student and program support to Peninsula College (the College). The Foundation was established in 1996 and involves people in philanthropy for higher education on the North Olympic Peninsula of Washington State. Donations received by the Foundation support new and existing college programs, expand program resources, and provide scholarship assistance to qualified students. Academic and program support is provided to the main campus of the College, as well as to the Forks and Port Townsend Campuses.

The mission of the Foundation is to secure philanthropic and external sources of support for students, faculty, staff, and programs in support of the College's mission.

B. PRINCIPLE PROGRAMS:

College program support--

Provides support to instructional areas on campus and provides financial support to the College, its ancillary programs, and projects endorsed by the College. These include awards to outstanding faculty and staff. College program support also includes grants provided to college programs, instructional departments, scholarships, and activities. The Foundation Board and its allocations committee, in collaboration with College leadership, annually review the application for funding.

Scholarships--

Provides support to underserved and deserving students to enable them to further their educational goals. Endowments are the primary financial vehicle used to support long-term scholarship programs. Several donor restricted scholarship funds are received and distributed annually.

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.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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Notes to Financial Statements

June 30, 2015

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).

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.

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 persuade 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.

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Notes to Financial Statements

June 30, 2015

D. ASSETS RESTRICTED FOR ENDOWMENT:

The Foundation manages endowments 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 are not distributed each year. Losses that reduce the assets in the endowment below the level required by donor stipulations are recorded to unrestricted net assets. The foundation has also initiated endowment campaigns in order to solicit additional permanently restricted donations.

The Board of Governors approved an endowment spending policy in January 2001 for continuing support of Peninsula College scholarships and program assistance. The spending policy includes providing for a 4% donor award distribution, plus investment management fees and administrative fees. Total allowable expenditures under the rule are 7%. The spending policy is based on a projected rate of return of 8% on invested endowment funds.

Endowment Net Assets Composition by Type of Fund-June 30, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 88,039 | \$ 990,782 | \$ 1,078,821 |

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Notes to Financial Statements

June 30, 2015

D. ASSETS RESTRICTED FOR ENDOWMENT (Continued):

Changes in Endowment Net Assets for the Six Months Ended June 30, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ - | \$ 121,903 | \$937,595 | \$1,059,498 |
| Investment return: | | | | |
| Investment Income | - | 8,721 | - | 8,721 |
| Investment Fee | - | (3,202) | - | (3,202) |
| Net depreciation (realized and unrealized) | - | 13,360 | - | 13,360 |
| Management Fee | - | (15,943) | - | (15,943) |
| Total investment return | - | 2,936 | - | 2,936 |
| Transfers In | - | - | 53,187 | 53,187 |
| Appropriation of endowment assets for expenditure | - | (36,800) | - | (36,800) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 88,039</u> | <u>\$990,782</u> | <u>\$1,078,821</u> |

E. RECOGNITION OF CONTRIBUTION REVENUE:

The Foundation reports contributions received as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or terms of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets, as net assets released from restrictions. Contributions received with restrictions that are satisfied within the same year as the receipt of the contribution are classified as unrestricted contributions on the statement of activities and changes in net assets.

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June 30, 2015

F. INVESTMENTS:

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2015:

| | Investments | Assets Restricted for Endowment | Carrying Amount | Investments Cost Basis |
|----------------------|-------------|---------------------------------------|--------------------|------------------------------|
| Brokerage Account \$ | 83,122 | \$ 1,078,821 | \$ 1,161,943 | \$ 1,200,380 |
| | \$ 83,122 | \$ 1,078,821 | \$ 1,161,943 | \$ 1,200,380 |

Investment income is composed of the following for the six months ended June 30, 2015:

| | Total |
|-------------------------|---------|
| Dividends & Interest \$ | 9,435 |
| Investment Fees | (3,485) |
| Investment Income \$ | 5,950 |

G. 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 \$69,396 for the six months ended June 30, 2015. 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.

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June 30, 2015

H. CONCENTRATION OF CREDIT RISK:

The Foundation maintains accounts with one stock brokerage firm. The accounts contain cash and securities. Cash balances 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 \$100,000 for cash) by the Securities Investor Protection Corporation. The brokerage firm has purchased additional securities protection from London insurers with an aggregate limit of \$150 million, further limited to a combined return to any customer from SIPC and London insurers of \$50 million. The Foundation had balances in excess of the FDIC and SIPC insured amount at June 30, 2015 of \$657,693.

I. TEMPORARILY RESTRICTED NET ASSETS:

The Foundation's temporarily restricted net assets for the six months ended June 30, 2015 were available for the following purposes:

| | <u>2015</u> |
|----------------------------------|-------------------|
| Scholarships | \$ 107,925 |
| College programs and departments | 105,624 |
| Time restriction | 28,970 |
| Endowment | <u>88,039</u> |
| | <u>\$ 330,558</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors for the six months ended June 30, 2015, and are as follows:

| | <u>2015</u> |
|----------------------------------|-------------------|
| Scholarships | \$ 101,753 |
| College programs and departments | 78,468 |
| Time restriction | <u>9,001</u> |
| | <u>\$ 189,222</u> |

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J. PERMANENTLY RESTRICTED NET ASSETS:

The Foundation's permanently restricted net assets at June 30, 2015, were composed of the following:

| | <u>2015</u> |
|----------------------------|-------------------|
| Exceptional faculty awards | \$ 463,000 |
| Scholarships | <u>527,782</u> |
| | <u>\$ 990,782</u> |

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:

No events have occurred through September 15, 2015, 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 six months ended June 30, 2015.

M. LOANS RECEIVABLE:

The Foundation provides short term loans to students at Peninsula College. Loans assist students in paying for textbooks.

As the loans are short term in nature, the Foundation generally collects within 90 days. No interest is charged either on current loans or on loans outstanding greater than 90 days. The Foundation has not provided an allowance for uncollectible loans as management believes all loans are collectible. Loans receivable totaled \$6,845 as of June 30, 2015.

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Notes to Financial Statements

June 30, 2015

N. CONTRIBUTIONS RECEIVABLE:

The Foundation received unconditional promises to give from numerous individuals. No allowance for uncollectible contributions has been provided as all contributions receivable are expected to be collected in less than one year. As of June 30, 2015, total contributions receivable were \$20,350.

O. FAIR VALUE MEASUREMENT:

The Foundation adopted Accounting Standards Codification 958 as of January 1, 2013. 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.

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, 2015.

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.

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June 30, 2015

O. FAIR VALUE MEASUREMENT (Continued):

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, 2015:

Assets at Fair Value as of June 30, 2015

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------|-------------------------|----------------------|-----------------|-------------------------|
| Mutal Funds | \$ 1,150,870 | \$ - | \$ - | \$ 1,150,870 |
| Money Market Funds | - | 11,073 | - | 11,073 |
| Total Assets at Fair Value: | \$ <u>1,150,870</u> | \$ <u>11,073</u> | \$ <u>-</u> | \$ <u>1,161,943</u> |

P. 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 2011. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Foundation adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2009. As of June 30, 2015, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

Q. CHANGE OF REPORTING YEAR:

The Foundation changed from a calendar year end to a fiscal year end of June 30 for accounting and reporting purposes during the period. These financial statements present a short year of six months as it is the first period ending on June 30. Future financial statements will be prepared for a full year.