
PENINSULA COLLEGE FOUNDATION
A Washington Non-Profit Corporation

Financial Statements

For the Year Ended June 30, 2018

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

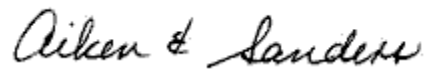
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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.

Prior Year Financial Statements

The accompanying June 30, 2017 financial statements of Peninsula College Foundation were previously reviewed by us, and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America in our report dated October 17, 2017, but we have not performed any procedures in connection with that review engagement since that date.



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

September 4, 2018

The Peninsula College Foundation
A Washington Non-Profit Corporation

Statement of Financial Position

As of June 30,	2018 (Audited)	2017 (Reviewed)
Assets		
Assets:		
Cash & cash equivalents	\$ 606,456	\$ 565,389
Contributions receivable (less discount of \$11,288 for 2018)	218,712	10,196
Loans and miscellaneous receivables	106,874	6,090
Custodial Funds	512,832	-
Investments	96,970	90,701
Donor restricted investments	-	9,063,217
Assets restricted for endowment	3,299,575	2,070,364
Total Assets	\$ 4,841,419	\$ 11,805,957
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 23,780	\$ 20
Custodial funds liability	512,832	-
Total Liabilities	536,612	20
Net Assets:		
Unrestricted:		
Undesignated	175,481	117,691
Total Unrestricted Net Assets	175,481	117,691
Temporarily restricted	1,265,710	9,766,130
Permanently restricted	2,863,616	1,922,116
Total Net Assets	4,304,807	11,805,937
Total Liabilities and Net Assets	\$ 4,841,419	\$ 11,805,957

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,	2018 (Audited)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Public support:				
Contributions	\$ 62,173	\$ 1,021,687	\$ 941,500	\$ 2,025,360
Event Income	4,600	-	-	4,600
Less: direct event expense	(1,254)	-	-	(1,254)
In-kind contributions	342,257	-	-	342,257
Pirate Athletic Association	84,954	-	-	84,954
Investment income	6,719	196,900	-	203,619
Net realized & unrealized gain (loss) on investments	2,426	90	-	2,516
Net assets released from restrictions	644,733	(644,733)	-	-
Total Support and Revenue	1,146,608	573,944	941,500	2,662,052
Expenses:				
Program Services	916,245	-	-	916,245
Management and General	94,260	-	-	94,260
Fundraising	78,312	-	-	78,312
Total Expenses	1,088,818	-	-	1,088,818
Increase (Decrease) in Net Assets	57,790	573,944	941,500	1,573,234
Transfers to Port Angeles Waterfront Center:	-	(9,074,364)	-	(9,074,364)
Net Assets, Beginning of Year	117,691	9,766,130	1,922,116	11,805,937
Net Assets, End of Year	\$ 175,481	\$ 1,265,710	\$ 2,863,616	\$ 4,304,807

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,	2017 (Reviewed)			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Public support:				
Contributions	\$ 21,712	\$ 479,888	\$ 5,000	\$ 506,600
Event Income	908	-	-	908
Less: direct event expense	(3,416)	-	-	(3,416)
In-kind contributions	228,505	-	-	228,505
Pirate Athletic Association	95,018	-	-	95,018
Investment income	246	163,646	-	163,892
Net realized & unrealized gain (loss) on investments	11,877	57,764	-	69,641
Other Income	12,129	-	-	12,129
Other Transfers	(17,035)	10	(10)	(17,035)
Net assets released from restrictions	504,012	(504,012)	-	-
Total Support and Revenue	853,956	197,296	4,990	1,056,242
Expenses:				
Program Services	851,674	-	-	851,674
Management and General	109,040	-	-	109,040
Fundraising	18,641	-	-	18,641
Total Expenses	979,356	-	-	979,356
Increase (Decrease) in Net Assets	(125,400)	197,296	4,990	76,886
Transfers to Port Angeles Waterfront Center:	(1,766,324)	-	-	(1,766,324)
Net Assets, Beginning of Year	2,009,415	9,568,834	1,917,126	13,495,375
Net Assets, End of Year	\$ 117,691	\$ 9,766,130	\$ 1,922,116	\$ 11,805,937

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

The Peninsula College Foundation
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Statement of Functional Expenses

	For the Year Ended June 30,			2018 (Audited)
	Program Services	Management & General	Fundraising	Total
Student support	\$ 548,383	\$ -	\$ -	\$ 548,383
Program assistance	52,033	-	-	52,033
Pirate Athletic Association	26,234	-	-	26,234
Recognition	-	-	4,702	4,702
Salaries, taxes, & benefits	74,391	13,948	4,649	92,989
Professional fees	-	3,450	-	3,450
In-kind expense	215,204	59,157	67,896	342,257
Insurance	-	2,660	-	2,660
Professional development	-	647	-	647
Office supplies	-	3,365	-	3,365
Bank fees	-	300	-	300
Bad debts	-	5,050	-	5,050
Miscellaneous	-	5,683	1,065	6,748
Total	\$ 916,245	\$ 94,260	\$ 78,312	\$ 1,088,818

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

The Peninsula College Foundation
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Statement of Functional Expenses

	For the Year Ended June 30,			2017 (Reviewed)
	Program Services	Management & General	Fundraising	Total
Student support	\$ 580,239	\$ -	\$ -	\$ 580,239
Program assistance	63,144	-	-	63,144
Pirate Athletic Association	34,134	-	-	34,134
Recognition	-	-	4,637	4,637
Salaries, taxes, & benefits	45,882	8,603	2,868	57,353
Professional fees	-	2,450	-	2,450
In-kind expense	128,275	89,094	11,137	228,506
Insurance	-	1,390	-	1,390
Professional development	-	2,373	-	2,373
Office supplies	-	1,661	-	1,661
Bank fees	-	1,574	-	1,574
Dues & subscriptions	-	-	-	-
Miscellaneous	-	1,895	-	1,895
Total	\$ 851,674	\$ 109,040	\$ 18,641	\$ 979,356

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

THE PENINSULA COLLEGE FOUNDATION
A Washington Non-Profit Corporation

Statement of Cash Flows

For the Year Ended June 30,	2018 (Audited)	2017 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,573,234	\$ 76,886
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(203,619)	(69,641)
Bad debts	5,050	-
(Increase) Decrease in contributions receivable	(208,516)	18,400
(Increase) Decrease in loans and miscellaneous receivables	(100,784)	410
Increase (Decrease) in accounts payable	23,760	(62,864)
Net Cash Provided (Used) by Operating Activities	1,089,125	(36,809)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	184,830	-
Purchase of investments	(1,232,888)	(45,298)
Net Cash Provided (Used) By Investing Activities	(1,048,058)	(45,298)
CASH FLOWS FROM FINANCING ACTIVITIES:		
	-	-
Net Increase (Decrease) in Cash	41,067	(82,107)
Cash, Beginning of Year	565,389	647,496
Cash, End of Year	\$ 606,456	\$ 565,389

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

The Peninsula College Foundation
A Washington Non-Profit Corporation

Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

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 was established in 1996 and involves people in philanthropy in support of its mission. 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 its strategic goal of meeting the "social determinants of educational success" for students.

B. PRINCIPLE PROGRAMS:

College program support--

The Foundation works closely with College leadership to adopt strategic initiatives annually 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. It also provides emergency grant assistance 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 provided 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.

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.

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.

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 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.

D. 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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E. ASSETS RESTRICTED FOR ENDOWMENT AND DONOR DESIGNATED:

The Foundation manages endowments and donor designated 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 unrestricted 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 May 17, 2017 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. 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 3% of the market value of the endowment funds in addition to fees charged by investment managers.

Endowment Composition by Type of Fund -June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 435,959	\$ 2,863,616	\$ 3,299,575
Donor-restricted designated funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total donor-restricted	\$ -	\$ 435,959	\$ 2,863,616	\$ 3,299,575

Endowment and Donor Designated Net Assets Composition by Type of Fund -June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 148,248	\$ 1,922,116	\$ 2,070,364
Donor-restricted designated funds	<u>-</u>	<u>9,063,217</u>	<u>-</u>	<u>9,063,217</u>
Total donor-restricted	\$ -	\$ 9,211,465	\$ 1,922,116	\$ 11,133,581

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

E. ASSETS RESTRICTED FOR ENDOWMENT AND DONOR DESIGNATED (Continued):

Changes in Endowment and Donor Designated Net Assets for the Year Ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 9,211,465	\$ 1,922,116	\$ 11,133,581
Investment return:				
Investment income	-	221,858	-	221,858
Investment fee	-	(24,958)	-	(24,958)
Net depreciation (realized and unrealized)	-	90	-	90
Management fee	-	(76,003)	-	(76,003)
Total investment return	-	120,987	-	120,987
Contributions	-	295,353	941,500	1,236,853
Transfer to W. Center	-	(9,074,364)	-	(9,074,364)
Appropriation of donor restricted assets for expenditure	-	(117,482)	-	(117,482)
Donor Restricted net assets				
end of period	\$ -	\$ 435,959	\$ 2,863,616	\$ 3,299,575

Changes in Endowment and Donor Designated Net Assets for the Year Ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 9,109,658	\$ 1,917,126	\$ 11,026,784
Investment return:				
Investment income	-	176,780	-	176,780
Investment fee	-	(13,134)	-	(13,134)
Net depreciation (realized and unrealized)	-	113,190	-	113,190
Management fee	-	(55,426)	-	(55,426)
Total investment return	-	221,410	-	221,410
Contributions	-	479,888	5,000	484,888
Appropriation of donor restricted assets for expenditure	-	(599,491)	(10)	(599,501)
Donor Restricted net assets				
end of period	\$ -	\$ 9,211,465	\$ 1,922,116	\$ 11,133,581

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

F. 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 \$221,965 and \$141,932 for the years ended June 30, 2018 and 2017, 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.

G. INVESTMENTS:

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2018:

	<u>Investments</u>	<u>Custodial Funds</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 96,970	\$ 512,832	\$ 3,299,575	\$ 3,909,377	\$ 4,023,068
	<u>\$ 96,970</u>	<u>\$ 512,832</u>	<u>\$ 3,299,575</u>	<u>\$ 3,909,377</u>	<u>\$ 4,023,068</u>

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2017:

	<u>Investments</u>	<u>Assets Restricted for Donor Designation</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 90,701	\$ 9,063,217	\$ 2,070,364	\$ 11,224,282	\$ 11,152,117
	<u>\$ 90,701</u>	<u>\$ 9,063,217</u>	<u>\$ 2,070,364</u>	<u>\$ 11,224,282</u>	<u>\$ 11,152,117</u>

Investment income is composed of the following for the year ended June 30, 2018:

		<u>Total</u>
Dividends & Interest	\$	229,560
Investment Fees		<u>(25,941)</u>
Investment Income	\$	<u>203,619</u>

The Peninsula College Foundation
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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

G. INVESTMENTS (Continued):

Investment income is composed of the following for the year ended June 30, 2017:

	<u>Total</u>
Dividends & Interest	\$ 177,026
Investment Fees	<u>(13,134)</u>
Investment Income	\$ <u><u>163,892</u></u>

H. CONCENTRATION OF CREDIT RISK:

The Foundation maintains accounts with one stock brokerage firm and accounts with a commercial bank. The 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. The Foundation had balances in excess of the FDIC and SIPC insured amounts at June 30, 2018 of \$3,104,117.

I. TEMPORARILY RESTRICTED NET ASSETS:

The Foundation's temporarily restricted net assets for the year ended June 30, 2018 were available for the following purposes:

	<u>2018</u>
Scholarships	\$ 467,868
College programs and departments	344,846
Time restriction	17,037
Endowment	<u>435,959</u>
	\$ <u><u>1,265,710</u></u>

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

I. TEMPORARILY RESTRICTED NET ASSETS (Continued):

The Foundation's temporarily restricted net assets for the year ended June 30, 2017 were available for the following purposes:

	2017
Scholarships	\$ 187,559
College programs and departments	9,313,949
Time restriction	19,036
Endowment	245,586
	\$ 9,766,130

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, 2018, and are as follows:

	2018
Scholarships	\$ 299,984
College programs and departments	302,016
Time restriction	42,733
	\$ 644,733

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, 2017, and are as follows:

	2017
Scholarships	\$ 580,239
College programs and departments	97,278
Time restriction	(173,505)
	\$ 504,012

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

J. PERMANENTLY RESTRICTED NET ASSETS:

The Foundation's permanently restricted net assets at June 30, 2018, were composed of the following:

	<u>2018</u>
Exceptional faculty awards	\$ 463,000
Scholarships and Program Awards	<u>2,400,616</u>
	<u>\$ 2,863,616</u>

The Foundation's permanently restricted net assets at June 30, 2017, were composed of the following:

	<u>2017</u>
Exceptional faculty awards	\$ 479,140
Scholarships and Program Awards	<u>1,442,976</u>
	<u>\$ 1,922,116</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 4, 2018, 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, 2018.

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 \$6,697 and \$6,090 as of June 30, 2018 and 2017, 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, 2018.

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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

M. LOANS AND MISCELLANEOUS RECEIVABLES (Continued):

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 is due on July 31, 2022. The loan balance, including accrued interest, was \$100,177 at June 30, 2018. The loan is 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, 2018 and 2017, total contributions receivable was \$230,000 and \$10,196, respectively. The Foundation has provided a discount to present value of \$11,288 for the portion of 2018 contributions to be collected in periods greater than one year from June 30, 2018. A discount rate of 4% has been used. Future maturities of pledge receivables are as follows as of June 30, 2018:

	<u>2017</u>
Year Ended June 30:	
2019	\$ 158,000
2020	19,500
2021	19,000
2022	19,000
2023	14,500
Discount	<u>(11,288)</u>
	<u>\$ 218,712</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 2014. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

The Peninsula College Foundation
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Notes to Financial Statements

June 30, 2018 (Audited) and 2017 (Reviewed)

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.

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, 2018.

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, 2018:

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P. FAIR VALUE MEASUREMENT (Continued):

Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 3,550,317	\$ -	\$ -	\$ 3,550,317
Money Market Funds	-	359,060	-	359,060
Total Assets at Fair Value:	\$ 3,550,317	\$ 359,060	\$ -	\$ 3,909,377

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

Assets at Fair Value as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 2,123,559	\$ -	\$ -	\$ 2,123,559
Certificate Deposit	179,191	-	-	179,191
Money Market Funds	-	37,506	-	37,506
Corporate Bonds	-	5,515,622	-	5,515,622
Municipal Bonds	-	499,950	-	499,950
US Government Bonds	-	2,868,454	-	2,868,454
Total Assets at Fair Value:	\$ 2,302,750	\$ 8,921,532	\$ -	\$ 11,224,282

Q. TRANSFERS TO PORT ANGELES WATERFRONT CENTER:

The Foundation, in the year ended June 30, 2016, received a contribution from an estate which was restricted to purpose for the construction and management of a new performing arts center in Port Angeles, Washington. During that same year, another local individual donated funds to the Foundation to purchase waterfront land to be used as the future site of the performing arts center.

The Foundation, in cooperation with other local community organizations, determined that a separate charitable organization would be best suited to construct and manage the new performing arts center. This new organization, The Port Angeles Waterfront Center (the Center), was formed and received recognition as a tax exempt organization. The Foundation, in the year ended June 30, 2017, following the Center's formation, transferred the waterfront land, with a recorded value of \$1,766,324, to the Center. In the year ended June 30, 2018, investments with a recorded value of \$9,074,364, were also transferred to the Center. Both transfers are presented as an other change in net assets in the statements of activities and changes in net assets for the years ended June 30, 2018 and 2017.

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R. 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.

S. 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 \$512,832 has been presented in the financial statements which represents the original \$500,000 College investment plus earnings for the period ending June 30, 2018.