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**PENINSULA COLLEGE FOUNDATION**  
**A Washington Non-Profit Corporation**

**Financial Statements**

**For the Year Ended June 30, 2019**

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**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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Peninsula College Foundation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 2018, and changes in net assets and its cash flows for the years 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 18, 2019

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Statement of Financial Position**

<b>As of June 30,</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Assets:</b>		
Cash & cash equivalents	\$ 734,499	\$ 606,456
Contributions receivable (less discount of \$52,334 and \$11,288 for 2019 and 2018, respectively)	417,633	218,712
Loans and miscellaneous receivables	103,423	106,874
Custodial funds	501,444	512,832
Investments	103,949	96,970
Assets restricted for endowment	<u>3,953,954</u>	<u>3,299,575</u>
<b>Total Assets</b>	<b><u>\$ 5,814,902</u></b>	<b><u>\$ 4,841,419</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 58,775	\$ 23,780
Custodial funds liability	<u>501,444</u>	<u>512,832</u>
<b>Total Liabilities</b>	<b><u>560,219</u></b>	<b><u>536,612</u></b>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	<u>133,745</u>	<u>175,481</u>
<b>Total Net Assets Without Donor Restrictions</b>	<b><u>133,745</u></b>	<b><u>175,481</u></b>
With donor restrictions	<u>5,120,938</u>	<u>4,129,326</u>
<b>Total Net Assets</b>	<b><u>5,254,683</u></b>	<b><u>4,304,807</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 5,814,902</u></b>	<b><u>\$ 4,841,419</u></b>

*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**

<b>For the Year Ended June 30,</b>	<b>2019</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Public support:			
Contributions	\$ 22,227	\$ 1,265,330	\$ 1,287,557
Event Income	5,722	-	5,722
Less: direct event expense	(3,973)	-	(3,973)
In-kind contributions	350,692	-	350,692
Pirate Athletic Association	66,089	-	66,089
Investment income	4,206	165,198	169,404
Net realized & unrealized gain (loss) on investments	28,563	82,554	111,117
Net assets released from donor restrictions	521,470	(521,470)	-
<b>Total Support and Revenue</b>	<b>994,996</b>	<b>991,612</b>	<b>1,986,608</b>
<b>Expenses:</b>			
Program Services	883,565	-	883,565
Management and General	88,221	-	88,221
Fundraising	64,946	-	64,946
<b>Total Expenses</b>	<b>1,036,732</b>	<b>-</b>	<b>1,036,732</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(41,736)</b>	<b>991,612</b>	<b>949,876</b>
Net Assets, Beginning of Year	175,481	4,129,326	4,304,807
<b>Net Assets, End of Year</b>	<b>\$ 133,745</b>	<b>\$ 5,120,938</b>	<b>\$ 5,254,683</b>

*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**

<b>For the Year Ended June 30,</b>	<b>2018</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue:</b>			
Public support:			
Contributions	\$ 62,173	\$ 1,963,187	\$ 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)	-
<b>Total Support and Revenue</b>	<b><u>1,146,608</u></b>	<b><u>1,515,444</u></b>	<b><u>2,662,052</u></b>
<b>Expenses:</b>			
Program Services	916,245	-	916,245
Management and General	94,260	-	94,260
Fundraising	78,312	-	78,312
<b>Total Expenses</b>	<b><u>1,088,818</u></b>	<b><u>-</u></b>	<b><u>1,088,818</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>57,790</b>	<b>1,515,444</b>	<b>1,573,234</b>
Transfers to Port Angeles Waterfront Center:	-	(9,074,364)	(9,074,364)
Net Assets, Beginning of Year	<u>117,691</u>	<u>11,688,246</u>	<u>11,805,937</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 175,481</u></b>	<b><u>\$ 4,129,326</u></b>	<b><u>\$ 4,304,807</u></b>

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

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Statement of Functional Expenses**

	<b>For the Year Ended June 30,</b>			<b>2019</b>
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Student support	\$ 388,524	\$ -	\$ -	\$ 388,524
Program assistance	158,894	-	-	158,894
Pirate Athletic Association	20,798	-	-	20,798
Recognition	-	-	5,220	5,220
Salaries, taxes, & benefits	79,786	14,960	4,987	99,733
Professional fees	-	5,975	-	5,975
In-kind expense	235,563	60,390	54,739	350,692
Insurance	-	2,083	-	2,083
Professional development	-	77	-	77
Office supplies	-	1,957	-	1,957
Bank fees	-	249	-	249
Bad debts	-	1,306	-	1,306
Miscellaneous	-	1,224	-	1,224
<b>Total</b>	<b>\$ 883,565</b>	<b>\$ 88,221</b>	<b>\$ 64,946</b>	<b>\$ 1,036,732</b>

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



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**Statement of Functional Expenses**

	<b>For the Year Ended June 30,</b>			<b>2018</b>
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 916,245</b>	<b>\$ 94,260</b>	<b>\$ 78,312</b>	<b>\$ 1,088,818</b>

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

**THE PENINSULA COLLEGE FOUNDATION**  
**A Washington Non-Profit Corporation**

**Statement of Cash Flows**

<b>For the Year Ended June 30,</b>	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 949,876	\$ 1,573,234
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on investments	(280,521)	(206,135)
Bad debts	1,306	5,050
(Increase) Decrease in contributions receivable	(198,921)	(208,516)
(Increase) Decrease in loans and miscellaneous receivables	2,145	(100,784)
Increase (Decrease) in accounts payable	34,995	23,760
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>508,880</b>	<b>1,086,609</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of investments	259,910	187,346
Purchase of investments	(640,747)	(1,232,888)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>(380,837)</b>	<b>(1,045,542)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
	-	-
Net Increase (Decrease) in Cash	128,043	41,067
Cash, Beginning of Year	606,456	565,389
<b>Cash, End of Year</b>	<b>\$ 734,499</b>	<b>\$ 606,456</b>

*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, 2019 and 2018**

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**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.

**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, 2019 and 2018**

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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 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. NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)–Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 was effective for the Foundation's year ending June 30, 2019. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the 2018 net asset balances. The new standards change the following aspects of the Foundation's financial statements:

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**Notes to Financial Statements**

**June 30, 2019 and 2018**

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- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2018:

<b>Net Asset Classes:</b>	<b>Under Prior Standards</b>	<b>After Adoption of ASU 2016-14</b>
Unrestricted net assets	\$ 175,481	\$ -
Temporarily restricted net assets	1,265,710	-
Permanently restricted net assets	2,863,616	-
Without donor restrictions	-	175,481
With donor restrictions	-	4,129,326
<b>Total:</b>	<b>\$ 4,304,807</b>	<b>\$ 4,304,807</b>

**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.

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**Notes to Financial Statements**

**June 30, 2019 and 2018**

**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 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 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, 2019

	<u>With Temporary Donor Restrictions</u>	<u>With Permanent Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 607,445	\$ 3,346,509	\$ 3,953,954
Total donor-restricted	<u>\$ 607,445</u>	<u>\$ 3,346,509</u>	<u>\$ 3,953,954</u>

Endowment Composition by Type of Fund -June 30, 2018

	<u>With Temporary Donor Restrictions</u>	<u>With Permanent Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 435,959	\$ 2,863,616	\$ 3,299,575
Total donor-restricted	<u>\$ 435,959</u>	<u>\$ 2,863,616</u>	<u>\$ 3,299,575</u>

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2019 and 2018**

Changes in Endowment Net Assets for the Year Ended June 30, 2019:

	Without Donor Restrictions	With Temporary Restrictions	With Permanent Restrictions	Total
Donor restricted net assets				
beginning of period	\$ -	\$ 435,959	\$ 2,863,616	\$ 3,299,575
Investment return:				
Investment income	-	182,821	-	182,821
Investment fee	-	(17,623)	-	(17,623)
Net depreciation (realized and unrealized)	-	82,554	-	82,554
Management fee	-	(97,695)	-	(97,695)
Total investment return	-	150,057	-	150,057
Contributions	-	79,964	482,893	562,857
Appropriation of donor restricted assets for expenditure	-	(58,535)	-	(58,535)
Net assets with donor restrictions				
end of period	\$ -	\$ 607,445	\$ 3,346,509	\$ 3,953,954

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

	Without Donor Restrictions	With Temporary Restrictions	With Permanent Restrictions	Total
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)
Net assets with donor restrictions				
end of period	\$ -	\$ 435,959	\$ 2,863,616	\$ 3,299,575

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**Notes to Financial Statements**

**June 30, 2019 and 2018**

The Foundation's permanently restricted endowment fund net assets at June 30, 2019, were composed of the following:

	<u>2019</u>
Exceptional faculty awards	\$ 463,000
Scholarships and Program Awards	<u>2,883,509</u>
	<u>\$ 3,346,509</u>

The Foundation's permanently restricted endowment fund 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>

**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.

	<u>2019</u>	<u>2018</u>
<b>Without Donor Restrictions:</b>		
Undesignated	\$ <u>133,745</u>	\$ <u>175,481</u>
Total:	<u>\$ 133,745</u>	<u>\$ 175,481</u>
<b>With Donor Restrictions:</b>		
Donor restricted-scholarships	\$ 323,061	\$ 467,868
Donor restricted-college programs	827,887	344,846
Donor restricted-other purposes	16,036	17,037
Endowments-available for appropriation	607,445	435,959
Endowments-principal	<u>3,346,509</u>	<u>2,863,616</u>
Total:	<u>\$ 5,120,938</u>	<u>\$ 4,129,326</u>



**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2019 and 2018**

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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, 2019, and are as follows:

	<u>2019</u>
Scholarships	\$ 270,378
College programs and departments	220,593
Time restriction	<u>30,499</u>
	<u>\$ 521,470</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, 2018, and are as follows:

	<u>2018</u>
Scholarships	\$ 299,984
College programs and departments	302,016
Time restriction	<u>42,733</u>
	<u>\$ 644,733</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 \$223,930 and \$221,965 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018**

**J. INVESTMENTS**

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2019:

	<u>Investments</u>	<u>Custodial Funds</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ <u>103,949</u>	\$ <u>501,444</u>	\$ <u>3,953,954</u>	\$ <u>4,559,347</u>	\$ <u>4,403,905</u>
	\$ <u><u>103,949</u></u>	\$ <u><u>501,444</u></u>	\$ <u><u>3,953,954</u></u>	\$ <u><u>4,559,347</u></u>	\$ <u><u>4,403,905</u></u>

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	\$ <u>96,970</u>	\$ <u>512,832</u>	\$ <u>3,299,575</u>	\$ <u>3,909,377</u>	\$ <u>4,023,068</u>
	\$ <u><u>96,970</u></u>	\$ <u><u>512,832</u></u>	\$ <u><u>3,299,575</u></u>	\$ <u><u>3,909,377</u></u>	\$ <u><u>4,023,068</u></u>

Investment income is composed of the following for the year ended June 30, 2019:

	<u>Total</u>
Dividends & Interest	\$ 190,183
Investment Fees	<u>(20,779)</u>
Investment Income	<u><u>\$ 169,404</u></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><u>\$ 203,619</u></u>

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**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 18, 2019, 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, 2019.

**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 \$3,423 and \$6,697 as of June 30, 2019 and 2018, 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, 2019.

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 \$100,000 and \$100,177 at June 30, 2019 and 2018, respectively. 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, 2019 and 2018, total contributions receivable was \$469,968 and \$230,000, respectively. The Foundation has provided a discount to present value of \$52,335 and \$11,288 at June 30, 2019 and 2018, respectively, for the portion of contributions to be collected in periods greater than one year from June 30, 2019 and 2018. A discount rate of 4% has been used.

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Future maturities of pledge receivables are as follows as of June 30, 2019:

Year Ended June 30:	<u>2019</u>
2020	\$ 114,468
2021	123,000
2022	132,500
2023	100,000
2024	-
Discount	<u>(52,335)</u>
	<u>\$ 417,633</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 2015. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2019, 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, 2019.

*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, 2019:

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 4,518,585	\$ -	\$ -	\$ 4,518,585
Money Market Funds	-	40,762	-	40,762
<b>Total Assets at Fair Value:</b>	<b>\$ 4,518,585</b>	<b>\$ 40,762</b>	<b>\$ -</b>	<b>\$ 4,559,347</b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

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
<b>Total Assets at Fair Value:</b>	<b>\$ 3,550,317</b>	<b>\$ 359,060</b>	<b>\$ -</b>	<b>\$ 3,909,377</b>

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**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. The transfer in the year ended June 30, 2018, is presented as an other change in net assets in the statements of activities and changes in net assets for the year ended June 30, 2018.

**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 \$501,444 has been presented in the financial statements which represents the original \$500,000 College investment plus earnings retained in the fund up to June 30, 2019. An additional \$28,560 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.

**T. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation, although it expects to receive current support to fund operations for 2020 and later years, has \$192,519 and \$199,261 of financial assets available within one year of the statement of financial position dates on June 30, 2019 and 2018, 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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	<u>2019</u>	<u>2018</u>
Financial assets at year end	\$ 5,814,901	\$ 4,841,419
Custodial fund	(501,444)	(512,832)
Donor restricted to purpose	(1,774,429)	(1,265,710)
Endowment funds	<u>(3,346,509)</u>	<u>(2,863,616)</u>
Financial assets available to meet cash needs within one year	\$ <u>192,519</u>	\$ <u>199,261</u>