



FINANCIAL STATEMENTS

June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Shoreline Community College Foundation

We have audited the accompanying financial statements of Shoreline Community College Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Shoreline Community College Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, Shoreline Community College Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Vine Dahlen PLLC

February 25, 2020

SHORELINE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 632,640	\$ 567,551
Accounts receivable, net	40,140	15,222
Contract receivable, net	216,533	312,400
Grant receivable, net	18,750	0
Prepaid expenses	<u>2,074</u>	<u>2,073</u>
TOTAL CURRENT ASSETS	910,137	897,246
OTHER ASSETS:		
Investments	<u>3,452,231</u>	<u>3,390,998</u>
TOTAL ASSETS	<u><u>\$ 4,362,368</u></u>	<u><u>\$ 4,288,244</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 1,537	\$ 50,422
Contract payable	<u>166,746</u>	<u>257,089</u>
TOTAL CURRENT LIABILITIES	<u>168,283</u>	<u>307,511</u>
NET ASSETS:		
Without donor restrictions	595,743	533,233
With donor restrictions	<u>3,598,342</u>	<u>3,447,500</u>
TOTAL NET ASSETS	<u>4,194,085</u>	<u>3,980,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,362,368</u></u>	<u><u>\$ 4,288,244</u></u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 9,030	\$ 231,474	\$ 240,504
In-kind contributions	190,330	7,755	198,085
Special events revenue	4,978	74,462	79,440
Contract revenue	374,452	0	374,452
Other income	0	13,421	13,421
Net investment return	19,217	152,873	172,090
Net assets released from restrictions	329,143	(329,143)	0
	<u>927,150</u>	<u>150,842</u>	<u>1,077,992</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES:			
College program support	400,016	0	400,016
Scholarships	219,843	0	219,843
	<u>619,859</u>	<u>0</u>	<u>619,859</u>
Total program services			
Administration	235,052	0	235,052
Fundraising	9,729	0	9,729
	<u>244,781</u>	<u>0</u>	<u>244,781</u>
Total supporting services			
TOTAL EXPENSES	<u>864,640</u>	<u>0</u>	<u>864,640</u>
CHANGE IN NET ASSETS	62,510	150,842	213,352
BEGINNING NET ASSETS	533,233	3,447,500	3,980,733
ENDING NET ASSETS	<u>\$ 595,743</u>	<u>\$ 3,598,342</u>	<u>\$ 4,194,085</u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 12,265	\$ 555,348	\$ 567,613
In-kind contributions	271,397	0	271,397
Special events revenue	4,442	68,097	72,539
Contract revenue	358,017	0	358,017
Other income	0	13,598	13,598
Net investment return	22,963	180,867	203,830
Net assets released from restrictions	237,423	(237,423)	0
	<u>906,507</u>	<u>580,487</u>	<u>1,486,994</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES:			
College program support	406,554	0	406,554
Scholarships	179,270	0	179,270
	<u>585,824</u>	<u>0</u>	<u>585,824</u>
Total program services			
Administration	243,295	0	243,295
Fundraising	8,467	0	8,467
	<u>251,762</u>	<u>0</u>	<u>251,762</u>
Total supporting services			
TOTAL EXPENSES	<u>837,586</u>	<u>0</u>	<u>837,586</u>
CHANGE IN NET ASSETS	68,921	580,487	649,408
BEGINNING NET ASSETS	464,312	2,867,013	3,331,325
ENDING NET ASSETS	<u>\$ 533,233</u>	<u>\$ 3,447,500</u>	<u>\$ 3,980,733</u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 213,352</u>	<u>\$ 649,408</u>
Adjustments to reconcile change in net assets to net cash:		
Contributions restricted for endowments	(19,370)	(407,017)
Net realized and unrealized gain on investments	(99,394)	(130,377)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and contract receivable	70,949	6,891
Grant receivable	(18,750)	0
Prepaid expenses	(1)	(343)
Increase (decrease) in liabilities:		
Accounts payable	(48,885)	43,521
Contract payable	<u>(90,343)</u>	<u>6,969</u>
Total adjustments and changes	<u>(205,794)</u>	<u>(480,356)</u>
	<u>7,558</u>	<u>169,052</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Investment of assets restricted for endowments	0	(407,017)
Payments for purchases of investments	(70,389)	(186,641)
Proceeds from sale of investments	<u>108,550</u>	<u>226,339</u>
	<u>38,161</u>	<u>(367,319)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Contributions restricted for endowments	<u>19,370</u>	<u>407,017</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,089	208,750
BEGINNING CASH AND CASH EQUIVALENTS	<u>567,551</u>	<u>358,801</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 632,640</u></u>	<u><u>\$ 567,551</u></u>

See accompanying notes to financial statements.

SHORELINE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

2019

	Program Services	Administration	Fundraising	Total
Instructional contract services	\$ 250,120	\$ 0	\$ 0	\$ 250,120
Scholarships	219,843	0	0	219,843
Salaries and benefits	0	156,221	0	156,221
Conferences, conventions, and meetings	3,454	3,687	0	7,141
Equipment rental and maintenance	0	0	586	586
Hospitality	21,018	8,611	7,379	37,008
Office expenses	3,303	3,059	411	6,773
Professional fees	3,750	60,055	0	63,805
Program support	28,734	0	0	28,734
Student emergency support	66,058	0	0	66,058
Supplies	16,475	1,181	1,353	19,009
Travel	2,053	662	0	2,715
Bad debt expense	3,875	0	0	3,875
Other	1,176	1,576	0	2,752
	<u>\$ 619,859</u>	<u>\$ 235,052</u>	<u>\$ 9,729</u>	<u>\$ 864,640</u>
TOTAL EXPENSES	<u>\$ 619,859</u>	<u>\$ 235,052</u>	<u>\$ 9,729</u>	<u>\$ 864,640</u>

2018

	Program Services	Administration	Fundraising	Total
Instructional contract services	\$ 257,089	\$ 0	\$ 0	\$ 257,089
Scholarships	179,270	0	0	179,270
Salaries and benefits	0	174,560	0	174,560
Conferences, conventions, and meetings	1,300	1,755	0	3,055
Equipment rental and maintenance	0	0	540	540
Hospitality	19,258	3,143	6,465	28,866
Office expenses	1,647	3,367	365	5,379
Professional fees	10,732	57,349	0	68,081
Program support	85,164	0	0	85,164
Student emergency support	11,030	110	0	11,140
Supplies	13,744	132	1,097	14,973
Travel	3,433	602	0	4,035
Bad debt expense	2,710	(154)	0	2,556
Other	447	2,431	0	2,878
	<u>\$ 585,824</u>	<u>\$ 243,295</u>	<u>\$ 8,467</u>	<u>\$ 837,586</u>
TOTAL EXPENSES	<u>\$ 585,824</u>	<u>\$ 243,295</u>	<u>\$ 8,467</u>	<u>\$ 837,586</u>

See accompanying notes to financial statements.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. PURPOSE OF THE FOUNDATION

Shoreline Community College Foundation (the Foundation) is a Washington State nonprofit corporation that was established in 1984 to assist and advance the mission of Shoreline Community College (the College), a public two-year comprehensive college serving the residents of King County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Foundation considers time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and corporate certificate of deposit held in an investment account are considered to be investments.

Accounts, contract, and grant receivables

Accounts, contract, and grant receivables consist primarily of amounts outstanding for program services. The allowance for uncollectible receivables is provided based on management's analysis of specific receivables. The Foundation's policy does not provide accrual of interest or other service charges on its receivables. Receivables are written off as uncollectible only after all efforts to collect have been exhausted. At June 30, 2019 and 2018, the allowance for uncollectible receivables was \$0 since management considers the balance in accounts, contract, and grant receivables to be fully collectible. Note 11 discloses additional information about the contract for training program.

Investments

The Foundation's investment objective is to maximize total return and preserve capital, while minimizing credit risk and avoiding excessive market risk. In order to achieve this objective, the Foundation's assets are invested in accordance with an investment policy approved by the Foundation's Board of Directors (the Board) with a level of risk that is appropriate to the Foundation's spending objectives. Investments are reported at their fair values on the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less external and direct internal investment expenses. The Foundation adheres to all donor-imposed restrictions in the allocation and expenditure of investment earnings.

Investments acquired by gift are recorded at their fair values at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the impact on the market price.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

The Foundation classifies net assets, revenues, gains and losses on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net assets without donor restrictions

Net assets without donor restrictions are available for use in general operations and the Board's designations and are not subject to donor restrictions.

See Note 8 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions

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

See Note 9 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Revenue recognition

The Foundation reports gifts of cash and other assets as contributions with or without donor restrictions depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not recognized as revenue until the conditions on which they depend have been substantially met.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets with explicit donor stipulations that specify how the assets are to be used are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed goods are recorded at fair value at the date of donation. The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated professional services are recorded at the respective fair values of the services received.

Special events revenue includes contributions from sponsors and participants at fundraising events which are recognized when contributions are received.

Contract revenue is recognized ratably in accordance with the terms of the contract.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Costs that are common to several functions are allocated among the various functional areas based on square footage and time and effort.

Tax exemption

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and, therefore, has no provision for federal income taxes unless the Foundation engages in unrelated business activities. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation's tax filings are subject to examination by taxing authorities, generally for three years after the return is filed. The Foundation would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of administration expenses in the statements of activities.

Newly adopted accounting standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The main provision of this update includes the presentation of two classes of net assets rather than the previously required three classes. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adopted this ASU retrospectively and has adjusted the presentation of the financial statements for all periods presented, except for the liquidity and availability information disclosed in Note 3, which only has a current year presentation as permitted under the ASU in the year of adoption.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at June 30 include:

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 632,640
Accounts receivable, net	40,140
Contract receivable, net	216,533
Grant receivable, net	18,750
Investments	<u>3,452,231</u>
Total financial assets	4,360,294
Less amounts not available to be used within one year:	
Net Assets with donor restrictions (Note 9)	(3,598,342)
Add anticipated appropriations for scholarships	152,650
Add anticipated appropriations for grants and programs	29,787
Add anticipated appropriations for emergency aid	20,851
Board designated for endowment funds (Note 8)	(55,611)
Board designated for international program and scholarships (Trajal contract) (Note 8)	(145,044)
Add anticipated appropriations for international program and scholarships (Trajal contract)	31,500
Board designated for operating reserve (Note 8)	<u>(292,192)</u>
Total amounts not available to be used within one year	<u>(3,856,401)</u>
Total financial assets available within one year	<u><u>\$ 503,893</u></u>

The Foundation receives significant contributions with and without donor restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships and programs.

The Board has designated a portion its unrestricted resources for endowments and other purposes (Note 8). These funds are invested for long-term or short-term appreciation and current income but remain available and may be spent at the discretion of the Board. The fund for international program and scholarships may be spent at the discretion of the College.

The Foundation considers net investment return without donor restrictions, appropriated earnings from donor-restricted and Board designated funds, contributions without donor restrictions and contributions with donor restrictions for use in current programs and scholarships which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administration expenses, fundraising expenses, and program services expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation maintains a policy to structure its financial assets to be available as its general expenditures come due and operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted revenue. In addition, as part of its liquidity management, the Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investments of its available funds.

4. INVESTMENTS

The fair values of financial assets are classified based on the following hierarchy reflecting the significance of inputs used in determining fair value measurements:

Level 1 – Observable inputs that reflect unadjusted quoted prices or published net asset value for identical assets in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs which are supported by little or no market activity.

Following were the aggregate carrying amounts of long-term investments and the fair values and the hierarchy classification of financial assets measured on a recurring basis at June 30:

	Fair Value Hierarchy	2019	2018
Exchange-traded funds	1	\$ 3,020,749	\$ 2,892,472
Money market funds	1	26,501	0
Corporate bonds	2	52,125	49,508
Municipal bonds	2	336,194	352,668
Total investments in the fair value hierarchy		3,435,569	3,294,648
Cash included in investments		16,662	46,335
Corporate certificate of deposit included in investments		0	50,015
		<u>\$ 3,452,231</u>	<u>\$ 3,390,998</u>

Investment management fees were \$14,961 and \$14,648 for the years ended June 30, 2019 and 2018, respectively.

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

5. RELATED PARTY TRANSACTIONS

The College provided the Foundation with a substantial amount of support including office space, employee support, business office support, office supplies, and other services. The fair value of the support from the College is recorded as in-kind contributions of \$185,630 and \$200,447, for the years ended June 30, 2019 and 2018, respectively. The contribution from the College represents 17% and 13% of total revenues, gains, and other support for the years ended June 30, 2019 and 2018, respectively. In addition, equipment and program supplies valued at \$4,700 and \$70,950 were donated to the Foundation and then contributed to the College during the years ended June 30, 2019 and 2018, respectively. These amounts are reflected as in-kind contributions and college program support in the statements of activities.

6. COMMITMENTS

Grants and bequests require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the Foundation to the provisions of the gift.

7. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at a financial institution which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Foundation had balances in excess of the insured amount.

The Foundation maintains its investment account at a financial institution. The account contains cash and securities. Within the limits of protection offered by the Securities Investor Protection Corporation (SIPC), claims against a broker-dealer are satisfied on cash up to a maximum of \$250,000 and securities up to a maximum of \$500,000. At times during the year, the Foundation had balances in excess of the limits.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions available for the following purposes at June 30 were summarized as follows:

	2019	2018
Board designated for endowment funds	\$ 55,611	\$ 472,854
Board designated for international program and scholarships (Trajal contract)	145,044	0
Board designated for operating reserve	292,192	0
Undesignated	102,896	60,379
	<u>\$ 595,743</u>	<u>\$ 533,233</u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes at June 30 were summarized as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Scholarships	\$ 506,451	\$ 487,091
College programs and departments	181,644	163,169
Emergency aid	51,514	25,884
Capital campaign	16,379	684
Special events	5,912	5,912
	<u>761,900</u>	<u>682,740</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Scholarships	899,008	860,831
College programs and departments	198,868	194,870
Exceptional faculty award	137,784	127,649
	<u>1,235,660</u>	<u>1,183,350</u>
Subject to the Foundation's endowment spending policy and appropriation:		
Scholarships	1,389,820	1,370,448
College programs and departments	110,962	110,962
Exceptional faculty award	100,000	100,000
	<u>1,600,782</u>	<u>1,581,410</u>
	<u><u>\$ 3,598,342</u></u>	<u><u>\$ 3,447,500</u></u>

Net assets released from donor restrictions during the years ended June 30, by incurring expenses satisfying the restricted purposes specified by donors were summarized as follows:

Scholarships	\$ 187,654	\$ 174,654
College programs and departments	70,911	61,318
Emergency aid	67,598	923
Exceptional faculty award	1,175	212
Capital campaign	1,805	316
	<u>\$ 329,143</u>	<u>\$ 237,423</u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS

The Foundation's endowments consist of individual funds established for scholarships and College program support. The endowments include both donor-restricted endowment funds and funds designated by the Board to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated for endowment by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions and board designations.

Interpretation of relevant law

The Foundation operates in accordance with Washington State Prudent Management of Institutional Funds Act (PMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for uncollectible receivables) donated to the endowments, and (b) any accumulations to the endowments made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added.

None of the funds the Foundation retains in perpetuity require additional accumulations. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PMIFA.

Endowment net asset composition

At June 30, 2019 and 2018, the Foundation's endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2019</u>			
Board designated endowment funds	\$ 55,611	\$ 0	\$ 55,611
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	0	1,600,782	1,600,782
Accumulated investment gains	0	1,235,660	1,235,660
	<u>\$ 55,611</u>	<u>\$ 2,836,442</u>	<u>\$ 2,892,053</u>
<u>2018</u>			
Board designated endowment funds	\$ 472,854	\$ 0	\$ 472,854
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	0	1,581,410	1,581,410
Accumulated investment gains	0	1,183,350	1,183,350
	<u>\$ 472,854</u>	<u>\$ 2,764,760</u>	<u>\$ 3,237,614</u>

SHORELINE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

10. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2017	\$ 451,981	\$ 2,203,154	\$ 2,655,135
Contributions	56	416,405	416,461
Contract revenue	39,691	0	39,691
Net investment return	20,819	173,349	194,168
Appropriation for expenditure	(39,693)	(73,589)	(113,282)
Transfer	0	45,441	45,441
Balance at June 30, 2018	472,854	2,764,760	3,237,614
Contributions	0	10,615	10,615
Net investment return	1,641	146,470	148,111
Appropriation for expenditure	0	(80,883)	(80,883)
Transfer	(418,884)	(4,520)	(423,404)
Balance at June 30, 2019	\$ 55,611	\$ 2,836,442	\$ 2,892,053

During the year ended June 30, 2019, the Board authorized a transfer of \$276,933 and \$145,685 from Board designated endowment funds to Board designated for international program and scholarships and Board designated for operating reserve, respectively. The Board also authorized a transfer of \$3,734 from unrestricted funds to Board designated endowment funds.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical dollar value that the donor or PMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$0 as of June 30, 2019 and 2018.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that provides for long-term growth of income and principal without undue exposure to risk. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to emphasize total return.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board shall determine once a year an asset allocation range based on economic conditions, operating needs and an annual risk analysis.

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10. ENDOWMENTS (Continued)

Spending policy and how the investment objectives relate to spending policy

Annually, the Foundation reviews the performance of the various endowment fund portfolios to determine what, if any, income in the form of interest, dividends and net capital appreciation may be appropriated for use to support the Foundation's programs. In making this decision, the Foundation exercises prudent judgment to assure that the funds retain sufficient assets and income to allow for reasonable future unfavorable market conditions and the preservation of principal.

11. CONTRACT FOR TRAINING PROGRAM

The Foundation has an agreement with a third party to facilitate a training program for international students. Revenue of \$323,200 and \$312,400 related to this agreement was recognized during the years ended June 30, 2019 and 2018, respectively.

Related to the above agreement, the Foundation has an agreement with the College to provide a hotel training program for the students of the third party. Expenses of \$250,120 and \$257,089 related to this agreement were recognized during the years ended June 30, 2019 and 2018, respectively.

The Foundation is obligated under the agreement with the College to provide support to the College's International Education Program from the revenue of the agreement with the third party. The amount of support included in contract revenue in the statements of activities was \$58,080 and \$39,691 during the years ended June 30, 2019 and 2018, respectively and will be expensed as the costs are incurred.

12. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2019, the Foundation received a bequest of \$550,000 which was restricted for a scholarship program.

The Foundation has evaluated subsequent events through the date these statements were available to be issued on February 25, 2020.

13. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications have no impact on previously reported total net assets.

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14. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard will impact all organizations that receive or make contributions of cash or other assets. The only transactions excluded from this ASU are transfers of resources from governments to business entities. This standard includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. This ASU will be applied using a modified prospective basis, which means it will be applied to agreements that are not completed as of the effective date (only applies to the unrecognized portion) and to agreements that are entered into after the effective date. This standard will be effective for the Foundation for the year ending June 30, 2020. No prior period results should be restated and there should be no adjustment to net assets as a result of adopting this standard.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Foundation's contracts with customers. This standard will be effective for the year ending June 30, 2020.

The Foundation is currently in the process of evaluating the impact of adoption of this accounting standard on the financial statements.