

**DISTRICT 17**  
**COMMUNITY COLLEGES**  
**FOUNDATION**  
(A Washington Non-Profit Organization)  
Spokane, Washington  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
June 30, 2019 and 2018

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
(A Non - Profit Corporation)  
Spokane, Washington

FINANCIAL STATEMENTS  
WITH INDEPENDENT  
AUDITOR'S REPORT

June 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
District 17 Community Colleges Foundation  
Spokane, Washington

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

We have audited the accompanying financial statements of District 17 Community Colleges Foundation (the Foundation) (a non-profit corporation) as of June 30, 2019 and 2018, 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 of 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 statement, 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 estimated 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 District 17 Community Colleges Foundation as of June 30, 2019 and 2018, and the results of its activities and changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Schneider & Schneider CPAs PLLC*

Spokane, WA  
November 5, 2019

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2019 and 2018

|  | <u>A S S E T S</u>   |                      |
|--|----------------------|----------------------|
|  | <u>2019</u>          | <u>2018</u>          |
| Assets:  |                      |                      |
| Cash and cash equivalents                                      | \$ 2,812,447         | \$ 1,823,231         |
| Promises to give / pledges receivable                          | 25,585               | 99,790               |
| Prepaid expenses   | 18,066               | 15,743               |
| Property and equipment, net                                    | 9,154,125            | 9,436,148            |
| Future interests receivable from trusts                        | 20,182               | 125,145              |
| Investments, at fair value                                     | <u>17,592,055</u>    | <u>17,260,104</u>    |
| Total assets   | <u>\$ 29,622,460</u> | <u>\$ 28,760,161</u> |
| <br><u>L I A B I L I T I E S   A N D   N E T   A S S E T S</u> |                      |                      |
| Liabilities:   |                      |                      |
| Accounts payable   | \$ 334,430           | \$ 94,094            |
| Accrued compensated absences                                   | 43,350               | 18,743               |
| Deferred rent  | 110                  | 2,588                |
| Deposit held for others - at refinance (CCS)                   | 1,528,867            | 1,528,867            |
| Deposits held for others - after refinance (CCS)               | 294,667              | 269,589              |
| Notes and bonds payable  | <u>5,061,365</u>     | <u>5,266,565</u>     |
| Total liabilities  | <u>7,262,789</u>     | <u>7,180,446</u>     |
| Net assets:  |                      |                      |
| Without donor restrictions                                     | 8,532,320            | 8,557,878            |
| With donor restrictions  | 3,165,093            | 2,747,798            |
| With donor restrictions - Endowment                            | <u>10,662,258</u>    | <u>10,274,039</u>    |
| Total net assets   | <u>22,359,671</u>    | <u>21,579,715</u>    |
| Total liabilities and net assets                               | <u>\$ 29,622,460</u> | <u>\$ 28,760,161</u> |

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended June 30, 2019

|   | Without Donor<br>Restriction | With Donor Restriction |               |               |
|---|------------------------------|------------------------|---------------|---------------|
|   | Undesignated                 | Donor<br>Restricted    | Endowment     | Total         |
| REVENUES, GAINS, AND SUPPORT:                                   |                              |                        |               |               |
| Cash contributions  | \$ 17,932                    | \$ 702,408             | \$ 411,127    | \$ 1,131,467  |
| Noncash contributions   | 111,731                      | 298,088                | -             | 409,819       |
| Maturity of charitable trust                                    | -                            | 162,054                | (162,054)     | -             |
| Investment income, including gains<br>and losses on investments | 108,411                      | 1,360                  | 633,196       | 742,967       |
| Income transfer per spending rule                               | 33,052                       | 351,155                | (384,207)     | -             |
| Grant income  | 9,350                        | 91,731                 | -             | 101,081       |
| Administration fees   | 136,482                      | 1,368                  | -             | 137,850       |
| Rental income   | 1,741,679                    | -                      | 25,800        | 1,767,479     |
| Net assets released from restrictions                           | 1,289,084                    | (1,143,495)            | (145,589)     | -             |
| Total revenues, gains, and support                              | 3,447,721                    | 464,669                | 378,273       | 4,290,663     |
| EXPENSES:   |                              |                        |               |               |
| Program services:   |                              |                        |               |               |
| Student support   | 1,178,582                    | -                      | -             | 1,178,582     |
| Rental  | 1,387,740                    | -                      | -             | 1,387,740     |
| Total program services  | 2,566,322                    | -                      | -             | 2,566,322     |
| General and administrative                                      | 817,632                      | -                      | -             | 817,632       |
| Fundraising   | 126,753                      | -                      | -             | 126,753       |
| Total supporting services                                       | 944,385                      | -                      | -             | 944,385       |
| Total expenses  | 3,510,707                    | -                      | -             | 3,510,707     |
| CHANGE IN NET ASSETS<br>BEFORE TRANSFERS                        | (62,986)                     | 464,669                | 378,273       | 779,956       |
| TRANSFERS: Reclassify net assets                                | 37,428                       | (47,374)               | 9,946         | -             |
| CHANGE IN NET ASSETS  | (25,558)                     | 417,295                | 388,219       | 779,956       |
| NET ASSETS, BEGINNING<br>OF YEAR                                | 8,557,878                    | 2,747,798              | 10,274,039    | 21,579,715    |
| NET ASSETS, END OF YEAR   | \$ 8,532,320                 | \$ 3,165,093           | \$ 10,662,258 | \$ 22,359,671 |

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended June 30, 2018

|   | Without Donor<br>Restriction | With Donor Restriction |               |               |
|---|------------------------------|------------------------|---------------|---------------|
|   | Undesignated                 | Donor<br>Restricted    | Endowment     | Total         |
| REVENUES, GAINS, AND SUPPORT:                                   |                              |                        |               |               |
| Cash contributions  | \$ 7,553                     | \$ 788,876             | \$ 44,430     | \$ 840,859    |
| Noncash contributions   | 91,786                       | 261,522                | -             | 353,308       |
| Investment income, including gains<br>and losses on investments | 319,498                      | 1,339                  | 748,498       | 1,069,335     |
| Income transfer per spending rule                               | 32,170                       | 347,297                | (379,467)     | -             |
| Grant income  | -                            | 41,445                 | -             | 41,445        |
| Administration fees   | 126,444                      | -                      | -             | 126,444       |
| Rental income   | 1,726,446                    | -                      | 25,264        | 1,751,710     |
| Net assets released from restrictions                           | 1,496,989                    | (1,356,402)            | (140,587)     | -             |
| Total revenues, gains, and support                              | 3,800,886                    | 84,077                 | 298,138       | 4,183,101     |
| EXPENSES:   |                              |                        |               |               |
| Program services:   |                              |                        |               |               |
| Student support   | 1,351,123                    | -                      | -             | 1,351,123     |
| Rental  | 1,326,247                    | -                      | -             | 1,326,247     |
| Total program services  | 2,677,370                    | -                      | -             | 2,677,370     |
| General and administrative                                      | 777,217                      | -                      | -             | 777,217       |
| Fundraising   | 71,757                       | -                      | -             | 71,757        |
| Total supporting services                                       | 848,974                      | -                      | -             | 848,974       |
| Total expenses  | 3,526,344                    | -                      | -             | 3,526,344     |
| CHANGE IN NET ASSETS<br>BEFORE TRANSFERS                        | 274,542                      | 84,077                 | 298,138       | 656,757       |
| TRANSFERS: Reclassify net assets                                | 50,509                       | (65,509)               | 15,000        | -             |
| CHANGE IN NET ASSETS  | 325,051                      | 18,568                 | 313,138       | 656,757       |
| NET ASSETS, BEGINNING<br>OF YEAR                                | 8,232,827                    | 2,729,230              | 9,960,901     | 20,922,958    |
| NET ASSETS, END OF YEAR   | \$ 8,557,878                 | \$ 2,747,798           | \$ 10,274,039 | \$ 21,579,715 |

See accompanying independent auditor's report and notes to financial statements.

SPOKANE COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2019

|                                  | Program Services    |                     |                     | Supportive Services      |                   |                     |
|----------------------------------|---------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|
|                                  | Student Support     | Rental              | Total               | General & Administrative | Fund Raising      | Total               |
| Program support                  | \$ 426,856          | \$ -                | \$ 426,856          | \$ -                     | \$ -              | \$ 426,856          |
| Noncash program support          | 307,042             | -                   | 307,042             | -                        | -                 | 307,042             |
| Scholarships                     | 434,411             | -                   | 434,411             | -                        | -                 | 434,411             |
| Meetings                         | -                   | -                   | -                   | 2,437                    | 2,199             | 4,636               |
| Other fundraising expense        | 10,273              | -                   | 10,273              | -                        | 50,970            | 61,243              |
| Planned giving                   | -                   | -                   | -                   | -                        | 9,100             | 9,100               |
| Audit                            | -                   | -                   | -                   | 13,890                   | -                 | 13,890              |
| Awards                           | -                   | -                   | -                   | 511                      | -                 | 511                 |
| Bank service charges             | -                   | -                   | -                   | 739                      | -                 | 739                 |
| Bank credit card service charges | -                   | -                   | -                   | 6,418                    | -                 | 6,418               |
| Donor recognition                | -                   | -                   | -                   | -                        | 5,852             | 5,852               |
| Dues & subscriptions             | -                   | -                   | -                   | 3,467                    | 1,095             | 4,562               |
| Fees                             | -                   | 41,998              | 41,998              | 136,547                  | -                 | 178,545             |
| Gifts                            | -                   | -                   | -                   | 1,020                    | 4,429             | 5,449               |
| Insurance                        | -                   | 20,650              | 20,650              | 2,989                    | 303               | 23,942              |
| Investment management fees       | -                   | -                   | -                   | 63,000                   | -                 | 63,000              |
| Legal                            | -                   | -                   | -                   | -                        | -                 | -                   |
| Licenses & permits               | -                   | -                   | -                   | 476                      | 60                | 536                 |
| Marketing                        | -                   | -                   | -                   | 20,929                   | 18,871            | 39,800              |
| Postage and shipping             | -                   | -                   | -                   | 533                      | -                 | 533                 |
| Printing & brochures             | -                   | -                   | -                   | 2,217                    | 9,164             | 11,381              |
| Repairs & maintenance            | -                   | 339,535             | 339,535             | 165                      | -                 | 339,700             |
| Salaries                         | -                   | -                   | -                   | 518,249                  | -                 | 518,249             |
| Software support                 | -                   | -                   | -                   | 20,977                   | 24,710            | 45,687              |
| Supplies                         | -                   | -                   | -                   | 6,759                    | -                 | 6,759               |
| Training                         | -                   | -                   | -                   | 9,288                    | -                 | 9,288               |
| Travel                           | -                   | -                   | -                   | 11,966                   | -                 | 11,966              |
| Uncollectible pledges            | -                   | -                   | -                   | (4,945)                  | -                 | (4,945)             |
| Contracted services              | -                   | 38,700              | 38,700              | -                        | -                 | 38,700              |
| Depreciation                     | -                   | 460,497             | 460,497             | -                        | -                 | 460,497             |
| Interest                         | -                   | 250,201             | 250,201             | -                        | -                 | 250,201             |
| Taxes - real estate              | -                   | 77,764              | 77,764              | -                        | -                 | 77,764              |
| Utilities                        | -                   | 158,395             | 158,395             | -                        | -                 | 158,395             |
| Total functional expenses        | <u>\$ 1,178,582</u> | <u>\$ 1,387,740</u> | <u>\$ 2,566,322</u> | <u>\$ 817,632</u>        | <u>\$ 126,753</u> | <u>\$ 3,510,707</u> |

See accompanying independent auditor's report and notes to financial statements.



DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2018

|                                  | Program Services    |                     |                     | Supportive Services      |                  | Total               |
|----------------------------------|---------------------|---------------------|---------------------|--------------------------|------------------|---------------------|
|                                  | Student Support     | Rental              | Total               | General & Administrative | Fund Raising     |                     |
| Program support                  | \$ 391,243          | \$ -                | \$ 391,243          | \$ -                     | \$ -             | \$ 391,243          |
| Noncash program support          | 353,308             | -                   | 353,308             | -                        | -                | 353,308             |
| Scholarships                     | 606,572             | -                   | 606,572             | -                        | -                | 606,572             |
| Meetings                         | -                   | -                   | -                   | 1,935                    | 3,480            | 5,415               |
| Other fundraising expense        | -                   | -                   | -                   | -                        | 58,699           | 58,699              |
| Planned giving                   | -                   | -                   | -                   | -                        | 9,578            | 9,578               |
| Audit                            | -                   | -                   | -                   | 13,563                   | -                | 13,563              |
| Awards                           | -                   | -                   | -                   | 502                      | -                | 502                 |
| Bank service charges             | -                   | -                   | -                   | 1,033                    | -                | 1,033               |
| Bank credit card service charges | -                   | -                   | -                   | 7,190                    | -                | 7,190               |
| Donor recognition                | -                   | -                   | -                   | 9,458                    | -                | 9,458               |
| Dues & subscriptions             | -                   | -                   | -                   | 4,621                    | -                | 4,621               |
| Fees                             | -                   | 407                 | 407                 | 126,559                  | -                | 126,966             |
| Gifts                            | -                   | -                   | -                   | 2,634                    | -                | 2,634               |
| Insurance                        | -                   | 19,462              | 19,462              | 2,957                    | -                | 22,419              |
| Investment management fees       | -                   | -                   | -                   | 63,000                   | -                | 63,000              |
| Legal                            | -                   | -                   | -                   | 4,006                    | -                | 4,006               |
| Licenses & permits               | -                   | -                   | -                   | 539                      | -                | 539                 |
| Marketing                        | -                   | -                   | -                   | 25,589                   | -                | 25,589              |
| Postage and shipping             | -                   | -                   | -                   | 50                       | -                | 50                  |
| Printing & brochures             | -                   | -                   | -                   | 14,833                   | -                | 14,833              |
| Repairs & maintenance            | -                   | 337,489             | 337,489             | 176                      | -                | 337,665             |
| Salaries                         | -                   | -                   | -                   | 423,986                  | -                | 423,986             |
| Software support                 | -                   | -                   | -                   | 59,486                   | -                | 59,486              |
| Supplies                         | -                   | -                   | -                   | 2,294                    | -                | 2,294               |
| Training                         | -                   | -                   | -                   | 3,483                    | -                | 3,483               |
| Travel                           | -                   | -                   | -                   | 6,353                    | -                | 6,353               |
| Uncollectible pledges            | -                   | -                   | -                   | 2,970                    | -                | 2,970               |
| Contracted services              | -                   | 38,600              | 38,600              | -                        | -                | 38,600              |
| Depreciation                     | -                   | 448,951             | 448,951             | -                        | -                | 448,951             |
| Interest                         | -                   | 254,703             | 254,703             | -                        | -                | 254,703             |
| Taxes - real estate              | -                   | 81,713              | 81,713              | -                        | -                | 81,713              |
| Utilities                        | -                   | 144,922             | 144,922             | -                        | -                | 144,922             |
|                                  | <u>\$ 1,351,123</u> | <u>\$ 1,326,247</u> | <u>\$ 2,677,370</u> | <u>\$ 777,217</u>        | <u>\$ 71,757</u> | <u>\$ 3,526,344</u> |

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2019 and 2018

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                     |                     |
| Change in net assets  | \$ 779,956          | \$ 656,757          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 460,497             | 448,951             |
| (Gain) loss on investments - unrealized   | (194,130)           | (633,700)           |
| (Gain) loss on investments - realized   | 86,316              | 63,766              |
| (Gain) loss on future interests - unrealized  | 104,963             | (5,235)             |
| Contributions restricted for endowments   | (411,127)           | (44,430)            |
| Net (increase) decrease in:   |                     |                     |
| Promises to give  | 74,205              | (13,430)            |
| Prepaid expenses  | (2,323)             | 7,540               |
| Net increase (decrease) in:   |                     |                     |
| Accounts payable  | 240,336             | 79,286              |
| Accrued expenses  | 24,607              | (4,273)             |
| Deferred rent   | (2,478)             | (22,540)            |
| Deposits held for others-after refinance  | 25,078              | (22,455)            |
| Net cash from operating activities  | <u>1,185,900</u>    | <u>510,237</u>      |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                     |                     |
| Cash paid for buildings, improvements, and equipment  | (178,474)           | (252,110)           |
| Purchase of investments   | (2,488,851)         | (3,198,204)         |
| Sale of investments   | 2,264,714           | 3,067,602           |
| Net cash from (used by) investing activities  | <u>(402,611)</u>    | <u>(382,712)</u>    |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                     |                     |
| Contributions restricted for endowments   | 411,127             | 44,430              |
| Additional debt incurred  | -                   | 181,734             |
| Payment on long-term debt - current   | (205,200)           | (191,697)           |
| Net cash from (used by) financing activities  | <u>205,927</u>      | <u>34,467</u>       |
| NET CHANGE IN CASH AND CASH EQUIVALENTS   | 989,216             | 161,992             |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | <u>1,823,231</u>    | <u>1,661,239</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$ 2,812,447</u> | <u>\$ 1,823,231</u> |
| Supplemental Disclosure of Cash Flow Information:   |                     |                     |
| Interest paid in cash   | <u>\$ 250,201</u>   | <u>\$ 254,703</u>   |

See accompanying independent auditor's report and notes to financial statements.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS:

District 17 Community Colleges Foundation (the Foundation) is a Washington nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized to provide benefits to Washington State Community College District 17 (Community Colleges of Spokane) and to the students of Spokane Community College and Spokane Falls Community College. The Foundation is operated to receive, hold, invest, and properly administer the assets and to make expenditures to or for the benefit of the aforementioned institutions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of District 17 Community Colleges Foundation (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of accounting - The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors or by management for the use for those resources.

Financial Statement Presentation - The financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets as follows:

Net Assets without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met and any net assets designated by the board for specific purposes.

Net Assets with Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be need to be maintained in perpetuity. This class also includes scholarship funds, program support funds, endowment funds, and charitable remainder trusts, when applicable.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement-of-financial-position date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and cash equivalents - For purposes of reporting cash flows, the Foundation considers highly liquid debt instruments, if any, purchased with maturity of three months or less, to be cash equivalents.

Concentration of credit risk - The Foundation has contribution receivables at June 30, 2019 and 2018, respectively of \$25,585 and \$99,790. The pledges are from a variety of businesses and individuals operating and residing in Spokane, Washington, and the surrounding Inland Northwest.

At June 30, 2019, the carrying amount of the Foundation's cash and equivalents amounted to \$2,812,447, of which \$1,917,054 was insured by Federal Deposit Insurance Corporation (FDIC), \$560,020 was insured by National Credit Union Administration (NCUA), and \$335,373 was uninsured.

Fair Valuation of Financial Instruments - The carrying amount of financial instruments, including prepaid expenses, loan costs, accounts payable, accrued compensated absences, deferred rent, and deposits held for others approximates fair value, due to the short maturity of these instruments. Promises to give (pledges receivable) are discounted (See Note 3). Fair value measurements are applied to future interests receivable and marketable investment securities (See Note 6).

Property and Equipment and Depreciation - Assets purchased for general purposes are capitalized at cost and depreciated on the straight-line method over five to ten years. Buildings are depreciated over 31 to 40 years. Assets with a value over \$5,000 are capitalized (See note 4).

Revenues - Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions resulting from the fulfillment of donor-stipulated purpose or by passage of the stipulated time period are reported as net assets released from restrictions between the applicable classes of net assets.

Contributions - Contributions, including unconditional promises to give, are recognized as support in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible promises is provided based upon management's judgment or potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions with restrictions met in the same year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as net assets without donor restriction.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Donated equipment and materials - The Foundation received significant amounts of donated equipment and materials, which pass through the Foundation to its charitable beneficiaries. Donated equipment and materials are recorded at their estimated fair market value. During the years ended June 30, 2019 and 2018, the Foundation recorded non-cash contributed equipment and materials totaling \$298,088 and \$261,522, respectively.

Donated services and support - The District provides personnel, office space, and other administrative support to the Foundation at no cost, in accordance with a cooperative agreement. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended June 30, 2019 and 2018, the Foundation recorded non-cash contributed services and support totaling \$111,731 and \$91,786, respectively.

Net Asset Classifications - In August 2008, the Financial Accounting Standards Board issued Staff position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FAS 117-1 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Washington has adopted UPMIFA and the Foundation has adopted FAS 117-1. A majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA (see also Note 10, Funds Held for Endowment).

Spending Rule - The Foundation has adopted a spending rule for permanently restricted endowment funds. The annual spending rule transfer is calculated by applying 4% to the three-year moving average fair market value of the permanently restricted net assets. In addition, the Foundation assesses a 1% administration fee. The spending policy was in effect for the years ended June 30, 2019 and 2018 (see also note 10).

Income Tax Status - The Foundation is exempt from income taxes as a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review - Management has evaluated subsequent events through November 5, 2019, (the date the financial statements were available to be issued) and has identified no events that, if disclosed, would influence the readers' opinion concerning these financial statements.

Recent Accounting Standard Updates - Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this ASU are intended to improve financial statement

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

presentation for not-for-profit organizations. Topics within ASU 2016-014 affecting the Project include net asset classification, information about liquidity and availability of funds, expense presentation, and statement of cash flow presentation.

ASU 2016-014 requires net assets to be classified as either with restrictions or without restrictions in addition to more detailed disclosure regarding specific restrictions and board designations, as applicable.

ASU 2016-014 requires disclosure improving the financial statement user's ability to assess the not-for-profit's available financial resources and liquidity. Disclosure is required of both quantitative and qualitative information about the availability of and how the not-for-profit manages its liquid available resources to meet its cash needs for general expenditures within one year of the balance sheet date. See Note 18.

In order to make information about expenses more comparable and useful, ASU 2016-014 requires all not-for-profits to provide information about operating expenses by both nature and function. This new requirement is not a change for the Organization since all expenses are expenses of the Organization (i.e. function).

ASU 2016-014 provides the option of presenting the direct or indirect method Statement of Cash Flows. The Organization has elected to present this statement using the direct method.

NOTE 3 - PROMISES TO GIVE / PLEDGES RECEIVABLE:

The Foundation conducts various fund-raising campaigns. A provision for estimated uncollectible promises and discount of future year promises has been recorded, which was calculated as a combined rate of 15% of outstanding promises to give at June 30, 2019 and 2018. Maturities of long-term promises to give are as follows for the years ended June 30:

| Amounts due in:                           | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| Less than one year                        | \$ -             | \$ -             |
| One to two years                          | 19,100           | 110,400          |
| Two to three years                        | 7,000            | 6,000            |
| Three to four years                       | 4,000            | 1,000            |
| Four to five years                        | <u>-</u>         | <u>-</u>         |
| Total                                     | 30,100           | 117,400          |
| Allowable for uncollectibles and discount | <u>(4,515)</u>   | <u>(17,610)</u>  |
| Net                                       | <u>\$ 25,585</u> | <u>\$ 99,790</u> |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment, recorded at cost or fair market value at date of gift, consisted of the following for the years ended June 30, 2019 and 2018:

|                                | <u>2019</u>         | <u>2018</u>         |
|--------------------------------|---------------------|---------------------|
| Equipment                      | \$ 44,793           | \$ 44,793           |
| Land                           | 3,459,042           | 3,459,042           |
| Buildings                      | 9,753,931           | 9,753,931           |
| Building improvements          | <u>3,232,258</u>    | <u>3,053,784</u>    |
| Total property and equipment   | 16,490,024          | 16,311,550          |
| Less: Accumulated depreciation | <u>(7,335,899)</u>  | <u>(6,875,402)</u>  |
| Net property and equipment     | <u>\$ 9,154,125</u> | <u>\$ 9,436,148</u> |

During the year ended June 30, 2018, the Foundation completed its refinancing of the Riverpoint One building, and executed a revised agreement with the Community Colleges of Spokane. See also Notes 15, 16 and 17.

Depreciation is recorded using the straight-line method over estimated lives of 31 to 40 years (buildings) and 5 to 10 years (equipment). Equipment over \$5,000 is capitalized. Depreciation expense was \$460,497 and \$448,951 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 - CHARITABLE REMAINDER TRUSTS:

The Foundation, through its deferred giving program, is the beneficiary of four charitable remainder unitrusts. The trusts, formulated through written legal trust documents, are separate legal entities for reporting to the Internal Revenue Service. In accordance with trust documents, trust property and all receipts of every kind shall be managed and invested by the independent trustee as a single fund from which the trustee shall pay an annuity amount in each taxable year of the trust. Future interests receivable from trusts are computed and represented based on actuarial assumptions of the trusts' life beneficiaries' estimated life expectancies and current interest rates (See also Note 6).

|  | <u>2019</u>      | <u>2018</u>       |
|--|------------------|-------------------|
| Future interests receivable consisted of the following for the years ended June 30, 2019 and 2018: | <u>\$ 20,182</u> | <u>\$ 125,145</u> |

NOTE 6 - FAIR VALUE HIERARCHY:

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels for disclosure purposes. The level in the fair value hierarchy is based on the priority of the inputs to the respective valuation technique.

The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and gives the lowest priority (Level 3) to unobservable inputs. An asset

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 6 - FAIR VALUE HIERARCHY (Continued):

or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The levels of the fair value hierarchy are as follows:

- Level 1 - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. Prices are obtained from readily available sources for market transactions involving identical assets or liabilities.
- Level 2 - Fair values are based on inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.
- Level 3 - Fair values are based on at least one significant unobservable input for the asset or liability and as a result considerable judgment may be used in determining the fair values. These fair values are generally obtained through the use of valuation models or methodologies using a significant unobservable input or broker quote.

Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 requires the use of observable market data if such data is available without undue cost and effort. Investment assets have been valued using a market approach, and future interests are valued at market and discounted (see Note 5). There were no changes in the valuation techniques during the current year.

As of June 30, 2019 and 2018, the following financial assets of the Foundation were measured at fair value on a recurring basis consistent with the fair value hierarchy provisions.

|                     | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total                |
|---------------------|---|---|--|----------------------|
| Investments:        |   |   |  |                      |
| June 30, 2019       |   |   |  |                      |
| Equity mutual funds | \$ 5,531,832  | \$ -  | \$ -   | \$ 5,531,832         |
| Bond mutual funds   | 1,449,406   | -   | -  | 1,449,406            |
| Equity ETFs         | 7,354,182   | -   | -  | 7,354,182            |
| Bond ETFs           | 2,390,061   | -   | -  | 2,390,061            |
| MLPs                | 866,574   | -   | -  | 866,574              |
| Totals              | <u>\$ 17,592,055</u>                                  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 17,592,055</u> |
| Future interests    | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 20,182</u>                                   | <u>\$ 20,182</u>     |



DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 6 - FAIR VALUE HIERARCHY (Continued):

|                     | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total                |
|---------------------|---|---|--|----------------------|
| Investments:        |   |   |  |                      |
| June 30, 2018       |   |   |  |                      |
| Equity mutual funds | \$ 6,879,444  | \$ -  | \$ -   | \$ 6,879,444         |
| Bond mutual funds   | 1,244,146   | -   | -  | 1,244,146            |
| Equity ETFs         | 5,633,815   | -   | -  | 5,633,815            |
| Bond ETFs           | 1,963,193   | -   | -  | 1,963,193            |
| MLPs                | 1,539,506   | -   | -  | 1,539,506            |
| Totals              | <u>\$ 17,260,104</u>                                  | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 17,260,104</u> |
| Future interests    | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 125,145</u>                                  | <u>\$ 125,145</u>    |

Summary of Level 3 activity for the years ended June 30, 2019 and 2018:

|                              | <u>Future interests</u> |
|------------------------------|-------------------------|
| July 1, 2017                 | \$ 119,910              |
| Transfers in/out of Level 3  | -                       |
| Adjustment for present value | <u>5,235</u>            |
| June 30, 2018                | 125,145                 |
| Transfers in(out) of Level 3 | (162,054)               |
| Adjustment for present value | <u>57,091</u>           |
| June 30, 2019                | <u>\$ 20,182</u>        |

NOTE 7 - INVESTMENTS:

This schedule summarizes the investment return and its classification in the statements of activities:

| Year ended June 30, 2019:         | Without Donor<br>Restriction | <u>With Donor Restrictions</u> |                     | Total             |
|-----------------------------------|------------------------------|--------------------------------|---------------------|-------------------|
|                                   |                              | <u>Restricted</u>              | <u>Endowment</u>    |                   |
| Interest and dividends            | \$ 3,912                     | \$ 1,481                       | \$ 572,668          | \$ 578,061        |
| Change in trust value             | -                            | -                              | 57,091              | 57,091            |
| Gains and losses, net             | <u>104,499</u>               | <u>(121)</u>                   | <u>3,437</u>        | <u>107,815</u>    |
| Total investment return           | <u>\$ 108,411</u>            | <u>\$ 1,360</u>                | <u>\$ 633,196</u>   | <u>\$ 742,967</u> |
| Transfer income per spending rule | <u>\$ 33,052</u>             | <u>\$ 351,155</u>              | <u>\$ (384,207)</u> | <u>\$ -</u>       |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 7 - INVESTMENTS (Continued):

| Year ended June 30, 2018:         | <u>Without Donor<br/>Restriction</u> | <u>With Donor Restrictions</u> | <u>Restricted</u>   | <u>Endowment</u> | <u>Total</u>        |
|-----------------------------------|--------------------------------------|--------------------------------|---------------------|------------------|---------------------|
| Interest and dividends            | \$ 60,661                            | \$ 1,339                       | \$ 432,166          |                  | \$ 494,166          |
| Change in trust value             | -                                    | -                              | 5,235               |                  | 5,235               |
| Gains and losses, net             | <u>258,837</u>                       | <u>-</u>                       | <u>311,097</u>      |                  | <u>569,934</u>      |
| Total investment return           | <u>\$ 319,498</u>                    | <u>\$ 1,339</u>                | <u>\$ 748,498</u>   |                  | <u>\$ 1,069,335</u> |
| Transfer income per spending rule | <u>\$ 32,170</u>                     | <u>\$ 347,297</u>              | <u>\$ (379,467)</u> |                  | <u>\$ -</u>         |

NOTE 8 - ACCOUNTING FOR COMPENSATED ABSENCES:

Employees of the Organization are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. The estimated amount of compensation for future absences is \$43,350 and \$18,743 for the years ending June 30, 2019 and 2018, respectively.

NOTE 9 - NOTES AND BONDS PAYABLE:

Notes and bonds payable consisted of the following as of June 30, 2019 and 2018:

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Note payable to Banner Bank, payable in monthly installments of \$36,450 including interest at 4.77%, due June 1, 2025; secured by real property (Riverpoint One building). There is a prepayment penalty of 1% of the original principal balance if paid within the first three year period. The current loan requires the Organization to maintain a debt service ratio equal to or in excess of 1.25 to 1. At June 30, 2019, the debt service coverage ratio is 1.59 to 1.00. | <u>\$ 5,061,365</u> | <u>\$ 5,266,565</u> |

Interest expense amounted to \$250,201 and \$254,703 for the years ending June 30, 2019 and 2018, respectively. Principal payments on the above debt are as follows for the years ended June 30:

|            |                     |
|------------|---------------------|
| 2019       | \$ 217,478          |
| 2020       | 226,088             |
| 2021       | 237,268             |
| 2022       | 249,001             |
| 2023       | 260,782             |
| Thereafter | <u>3,870,748</u>    |
|            | <u>\$ 5,061,365</u> |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 10 - FUNDS HELD FOR ENDOWMENT:

*Net asset classifications:*

The State of Washington has adopted UPMIFA and the Foundation has adopted FAS 117-1. A majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA.

The Foundation is governed subject to the Governing Documents for the Foundation and most contributions are received subject to the terms of the Governing Documents.

Under the terms of the Governing Documents, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. The Foundation considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes. Contributions that are subject to other gift instruments may be recorded as permanently restricted, temporarily restricted or unrestricted, depending on the specific terms of the agreement (i.e. future interests and supporting organization).

*Endowment Investment and Spending Policies:*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return a reasonable rate of return, net of investment fees. Actual returns in any year may vary.

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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The annual spending rule transfer is calculated by applying 4% distribution calculation to the three-year moving average fair market value of the permanently restricted net assets. In addition the Foundation assesses a 1% administration fee. The spending policy was in effect for the years ended June 30, 2019 and 2018, along with the administrative fee charged against endowment funds. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 10 - FUNDS HELD FOR ENDOWMENT (Continued):

Endowment Net Asset Composition by type of fund for the year ended June 30, 2019 and 2018:

|                                   | <u>2019</u>          | <u>2018</u>          |
|-----------------------------------|----------------------|----------------------|
| Scholarships                      | \$ 5,205,610         | \$ 4,732,090         |
| Program support                   | 1,836,949            | 1,833,552            |
| Emerging Needs                    | 879,152              | 865,897              |
| Faculty/Staff Development         | 2,720,365            | 2,717,355            |
| Charitable Remainder Trusts       | <u>20,181</u>        | <u>125,145</u>       |
| Endowment net assets, end of year | <u>\$ 10,662,257</u> | <u>\$ 10,274,039</u> |

Change in Endowment Net Assets for the year ended June 30, 2019 and 2018:

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| Endowment net assets, beginning of year                                   | \$ 10,274,039        | \$ 9,960,901         |
| Contributions   | 411,127              | 44,430               |
| Investment income, including gains<br>and losses, realized and unrealized | 633,196              | 748,498              |
| Endowment income transfer   | (384,207)            | (379,467)            |
| Rental income   | 25,800               | 25,264               |
| Uncollectible pledges   | 750                  | 750                  |
| Investment management fees  | (36,043)             | (35,595)             |
| Administrative fees   | (104,182)            | (99,148)             |
| Support services  | (6,115)              | (6,594)              |
| Maturity of charitable trust  | (162,054)            | -                    |
| Transfers   | <u>9,946</u>         | <u>15,000</u>        |
| Endowment net assets, end of year   | <u>\$ 10,662,257</u> | <u>\$ 10,274,039</u> |

NOTE 11 - RECLASSIFICATION OF NET ASSETS:

The Foundation reclassified and transferred net assets as follows for the year ended June 30, 2019:

| <u>Transfers:</u>                  | <u>Without<br/>Donor Restriction</u> | <u>With Donor<br/>Restriction</u> | <u>Endowment</u> |
|------------------------------------|--------------------------------------|-----------------------------------|------------------|
| Annual Mini-Grant Award PS         | \$ 20,200                            | \$ (20,200)                       | -                |
| Alumni Association program support | 500                                  | (500)                             | -                |
| Unrestricted to Placement Testing  | 5,000                                | (5,000)                           | -                |
| Unrestricted to Emergency funds    | 10,000                               | (10,000)                          | -                |
| Unrestricted to Focus              | 4,000                                | 4,000                             | -                |
| Wine Gala to unrestricted          | (3,102)                              | 3,102                             | -                |
| Golf proceeds to unrestricted      | (1,427)                              | 1,427                             | -                |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 11 - RECLASSIFICATION OF NET ASSETS (Continued):

|   | Without<br><u>Donor Restriction</u> | With Donor<br><u>Restriction</u> | <u>Endowment</u>  |
|---|-------------------------------------|----------------------------------|-------------------|
| <u>Transfers:</u>                         |                                     |                                  |                   |
| Transfer balance & close fund             | (22)                                | 22                               | -                 |
| Unrestricted to over spent funds          | 13                                  | (13)                             | -                 |
| From #5251 to unrestricted                | (418)                               | 418                              | -                 |
| Billboard rent to President's fund        | 4,000                               | (4,000)                          | -                 |
| From #1101 to #6915                       | 3,271                               | (3,271)                          | -                 |
| From SVFD scholarship to G. Sly Endowment | -                                   | 8,000                            | (8,000)           |
| Miscellaneous                             | 275                                 | (275)                            | -                 |
| Unrestricted to ABE funds                 | 5,000                               | (5,000)                          | -                 |
| Golf proceeds to unrestricted & BBC       | (4,236)                             | 4,236                            | -                 |
| Wine Gala to Culinary & unrestricted      | (105,773)                           | 105,773                          | -                 |
| From #5194 to #1101                       | (14)                                | 14                               | -                 |
| Unrestricted to Chancellor's fund         | 4,464                               | (4,464)                          | -                 |
| Unrestricted to SCC President fund        | 3,325                               | (3,325)                          | -                 |
| Allocate Dr. Johnson employee match       | 11,467                              | (9,521)                          | (1,946)           |
| Totals                                    | <u>\$ (37,428)</u>                  | <u>\$ 47,374</u>                 | <u>\$ (9,946)</u> |

The Foundation reclassified and transferred net assets as follows for the year ended June 30, 2018:

|   | Without<br><u>Donor Restriction</u> | With Donor<br><u>Restriction</u> | <u>Endowment</u>   |
|---|-------------------------------------|----------------------------------|--------------------|
| <u>Transfers:</u>                           |                                     |                                  |                    |
| Annual Mini-Grant Award PS                  | \$ 19,900                           | \$ (19,900)                      | \$ -               |
| Alumni Association program support          | 500                                 | (500)                            | -                  |
| Unrestricted from Placement Testing         | 10,000                              | (10,000)                         | -                  |
| Unrestricted from Emergency funds           | 10,000                              | (10,000)                         | -                  |
| Unrestricted from Exceptional Faculty       | 10,000                              | (10,000)                         | -                  |
| Unrestricted to Focus Award                 | 4,000                               | (4,000)                          | -                  |
| Transfer remaining Wine 2017 funds          | (2,382)                             | 2,382                            | -                  |
| Unrestricted to EWI matching funds          | 2,000                               | (2,000)                          | -                  |
| Adult Basic Education matching funds        | 5,000                               | (5,000)                          | -                  |
| Transfer 2018 Wine Gala proceeds            | (103,808)                           | 103,808                          | -                  |
| From GENST 114 to Unrestricted              | (4,410)                             | 4,410                            | -                  |
| From SVFD scholarship from G. Sly Endowment | -                                   | 10,000                           | (10,000)           |
| Transfer 2018 Golf proceeds                 | (5,308)                             | 5,308                            | -                  |
| Transfer from Stannard Scholarship          | -                                   | 5,000                            | (5,000)            |
| Totals                                      | <u>\$ (54,508)</u>                  | <u>\$ 65,508</u>                 | <u>\$ (15,000)</u> |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

NOTE 12 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES:

Net assets with donor restriction (excluding endowment) consisted of the following for the years ended June 30:

|                                      | <u>2019</u>         | <u>2018</u>         |
|--------------------------------------|---------------------|---------------------|
| Gifts and other unexpended revenues, |                     |                     |
| Gains, and support restricted to:    |                     |                     |
| Scholarships                         | \$ 1,648,429        | \$ 1,256,299        |
| Program support                      | <u>1,516,664</u>    | <u>1,491,499</u>    |
| Totals                               | <u>\$ 3,165,093</u> | <u>\$ 2,747,798</u> |

Endowment net assets consisted of the following for the years ended June 30:

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
| Endowment Funds with investment income restricted to: |                      |                      |
| Scholarships  | \$ 5,205,610         | \$ 4,732,090         |
| Program support                                       | 1,836,949            | 1,833,552            |
| Emerging Needs  | 879,152              | 865,897              |
| Faculty/Staff Development                             | 2,720,366            | 2,717,355            |
| Charitable Remainder Trusts                           | <u>20,181</u>        | <u>125,145</u>       |
| Totals  | <u>\$ 10,662,258</u> | <u>\$ 10,274,039</u> |

NOTE 13 - OPERATING LEASE COMMITMENTS RECEIVABLE:

The Foundation leases building space to tenants under non-cancelable operating leases with terms of one to ten years. The Foundation leases all properties to the Community Colleges of Spokane, with the exception of Riverpoint One, a portion of which is leased to other tenants. The Foundation has entered into an option agreement with the Community Colleges of Spokane, which grants CCS an option to purchase the Riverpoint One property (see also Note 16). The following is a schedule by years of future minimum rentals receivable under the leases at June 30, 2019.

|                       |      |              |
|-----------------------|------|--------------|
| Years ending June 30, | 2010 | \$ 1,928,761 |
|                       | 2021 | 1,549,743    |
|                       | 2022 | 1,468,859    |
|                       | 2023 | 1,490,012    |
|                       | 2024 | 1,035,114    |

NOTE 14 - FUNCTIONAL EXPENSES:

Expenses by major functional category were as follows for the years ended June 30, 2019 and 2018:

|                     | <u>2019</u>         | <u>2018</u>         |
|---------------------|---------------------|---------------------|
| Program services    | \$ 2,566,322        | \$ 2,677,370        |
| Supporting services | <u>944,385</u>      | <u>848,974</u>      |
| Totals              | <u>\$ 3,510,707</u> | <u>\$ 3,526,344</u> |

DISTRICT 17 COMMUNITY COLLEGES FOUNDATION  
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS  
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NOTE 15 - RELATED PARTY:

The Foundation is organized to provide benefits to Washington State Community College District 17 (CCS) and the students of Spokane Community College and Spokane Falls Community College. As such, Washington State Community College District 17 is a related party. Operating leases with CCS are described in Note 13. An option for CCS to purchase the Riverpoint One building is described in Note 16. Deposits held for CCS are described in Note 17. Services and support donated by CCS are described in Note 2 "Donated services and support".

NOTE 16 - OPTION TO PURCHASE RIVERPOINT ONE BUILDING:

At June 30, 2017, the Foundation had completed the refinance of the Riverpoint One building. With the refinance of the debt, the Community Colleges Foundation and the Community Colleges of Spokane have updated their agreement to incorporate the changes that have occurred.

Agreements:

In September, 2016, the parties executed the "Option to Purchase and Agreement Regarding Financial Operations of Riverpoint One Property between Community Colleges of Spokane and Community Colleges of Spokane Foundation" which replaces the agreement dated April 12, 2016, and the original option and operation agreements of July, 2000. The agreement grants Community Colleges of Spokane (CCS) an option to purchase the Riverpoint One property for a cash payment equal to the current outstanding debt obligation, if any, at the time of purchase. The Foundation may not sell the property to any other party unless CCS is in default on the agreement on the Riverpoint One property. The option period extends for as long as the Foundation owns the Riverpoint One Property. If CCS does not exercise the option, the Foundation will repay to CCS \$1,528,867 of reserve and advance funds (listed in detail in Note 17), which amount is reported as the liability "Deposits held for others – at refinance (CCS)."

The agreement states that in normal operations, the building should produce positive cash flows, defined as equal to the net cash flow after expenditures, capital improvements, and debt service. Such positive cash flow will be distributed first at \$50,000 per year to the Foundation. Secondly, \$50,001 will be set aside each year into the emergency reserve account until \$600,000 is maintained. Any remaining positive cash flow will be distributed to CCS. The emergency reserve will be used for maintenance and temporary cash flow deficits, and will transfer to CCS in the event that CCS acquires the property. This reserve and the excess cash owed to CCS are included in the liability "Deposits held for others – after refinance (CCS)."

CCS will also set up its own separate internal reserve fund and will deposit \$25,000 per year until \$300,000 is maintained. The parties agree that in the event insufficient funds are available in the Foundation emergency reserve account for the Riverpoint One property, CCS will reimburse the Foundation for operating losses up to the amount in the CCS internal reserve.

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NOTE 16 - OPTION TO PURCHASE RIVERPOINT ONE BUILDING (Continued):

Financial effect of transaction, if option to purchase is exercised:

The exercise of the option transaction would have the following financial effect (at book value), as if exercised at June 30, 2017:

|   |                       |
|---|-----------------------|
| Riverpoint One cost basis, net of depreciation  | \$ 6,689,970          |
| Less: mortgage payable at 6/30/2017   | <u>(5,266,565)</u>    |
| Potential transfer of building to CCS   | <u>\$ 1,423,405</u>   |
| Offsetting transaction upon option exercise: Deposit held for others (refinance) will transfer to Foundation net assets | <u>\$ (1,528,867)</u> |
| Net book value effect   | <u>\$ (105,462)</u>   |

In addition, the Foundation will transfer reserve cash accounts to CCS (which are \$200,004 and \$32,893 and are equally offset by liability accounts at June 30, 2019, see Note 17).

NOTE 17 - DEPOSITS HELD FOR OTHERS - RIVERPOINT ONE BUILDING:

Deposits held for others as of June 30, 2019 and 2018, are as follows:

|   | CCS paid<br>To close | Contingency<br>Reserve | Excess<br>Income<br>Reserve | Total<br>Deposit<br>Liability |
|---|----------------------|------------------------|-----------------------------|-------------------------------|
| <u>Up to the refinance date:</u>                                |                      |                        |                             |                               |
| Liability as of June 30, 2014                                   | \$ -                 | \$ 511,597             | \$ 1,030,657                | \$ 1,542,254                  |
| Interest for the year 6/30/2015                                 | -                    | 99                     | 1,179                       | 1,278                         |
| RP1 (decrease) for 6/30/2015                                    | -                    | -                      | (177,985)                   | (177,985)                     |
| Reserve used for capital expenditures 6/30/2015                 | -                    | -                      | (228,593)                   | (228,593)                     |
| Contributed by CCS  | <u>500,000</u>       | <u>-</u>               | <u>-</u>                    | <u>500,000</u>                |
| Liability as of June 30, 2015                                   | 500,000              | 511,696                | 625,258                     | 1,636,954                     |
| Less: deposits carried over                                     | <u>-</u>             | <u>-</u>               | <u>(108,087)</u>            | <u>(108,087)</u>              |
| Liability as of June 30, 2017 and 2018, funds used in refinance | <u>\$ 500,000</u>    | <u>\$ 511,696</u>      | <u>\$ 517,171</u>           | <u>\$ 1,528,867</u>           |



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NOTE 17 - DEPOSITS HELD FOR OTHERS - RIVERPOINT ONE BUILDING (Continued):

In the event the option to purchase is exercised, the total deposit liability would not be paid to CCS and would instead be reclassified to net assets of the Foundation.

| <u>After the refinance date:</u>                                    | <u>Owed to<br/>CCS</u> | <u>Emergency<br/>Reserve</u> | <u>Excess<br/>Income<br/>Reserve</u> | <u>Total<br/>Deposit<br/>Liability</u> |
|---|------------------------|------------------------------|--------------------------------------|--|
| Liability as of June 30, 2017                                       | \$ 159,149             | \$ 100,002                   | \$ 32,893                            | \$ 292,044                             |
| Check to CCS October 31, 2017                                       | (159,149)              | -                            | -                                    | (159,149)                              |
| RP1 increase for June 30, 2018                                      | 186,694                | -                            | -                                    | 186,694                                |
| Less: earned by the Foundation                                      | (50,000)               | -                            | -                                    | (50,000)                               |
| Less: owed to Emergency Reserve                                     | (50,001)               | 50,001                       | -                                    | -                                      |
| Check to CCS November 1, 2018                                       | (86,693)               | -                            | -                                    | (86,693)                               |
| RP1 increase for June 30, 2018                                      | 161,771                | -                            | -                                    | 161,771                                |
| Less: earned by Foundation  | (50,001)               | 50,001                       | -                                    | -                                      |
| Less: owed to Emergency Reserve                                     | (50,001)               | 50,001                       | -                                    | -                                      |
| Liability as of June 30, 2019, funds<br>accumulated after refinance | <u>\$ 61,770</u>       | <u>\$ 200,004</u>            | <u>\$ 32,893</u>                     | <u>\$ 294,667</u>                      |

The \$61,770 owed to CCS will be paid November, 2019. The Emergency Reserve and Excess Income Reserve would be paid to CCS in the event the option to purchase is exercised.

NOTE 18 – LIQUIDITY & AVAILABILITY:

The Organization has \$20,430,087 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$2,812,447 and \$25,585 of accounts receivable. Of the \$2,812,447 in cash, \$1,297,235 is subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position. Therefore, \$1,515,212 is available for general expenditure within one year of the statement of financial position.

|   | <u>6/30/2019</u>    | <u>6/30/2018</u>    |
|---|---------------------|---------------------|
| Cash  | \$ 2,812,447        | \$ 1,823,231        |
| Receivables   | 25,585              | 99,790              |
| Investments   | <u>17,592,055</u>   | <u>17,260,104</u>   |
| Total financial assets  | 20,430,087          | 19,183,125          |
| Receivables schedule to be collected in more than one year                                | (25,585)            | (99,790)            |
| Contractual or donor-imposed restrictions:  |                     |                     |
| Investments – with donor restrictions   | (2,986,575)         | (2,883,921)         |
| Investments – Endowment   | (10,920,906)        | (10,145,415)        |
| Financial assets available to meet cash needs for general<br>Expenditures within one year | <u>\$ 6,497,021</u> | <u>\$ 6,053,999</u> |

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NOTE 19 - RECLASSIFICATIONS:

Certain items in the 2018 financial statements have been reclassified to conform to the current year presentation. Such reclassification had no effect on the financial position or the change in net assets.