



Audited Financial Statements

December 31, 2021 and 2020

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

Audited Financial Statements

December 31, 2021 and 2020

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AUDITED FINANCIAL STATEMENTS

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## Independent Auditor's Report

To the Board of Directors  
Clover Park Technical College Foundation  
Lakewood, Washington

### **Opinion**

We have audited the accompanying financial statements of Clover Park Technical College Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clover Park Technical College Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clover Park Technical College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover Park Technical College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clover Park Technical College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clover Park Technical College Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited Clover Park Technical College Foundation's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The Doty Group, P.S.*  
**THE DOTY GROUP, P.S.**

Tacoma, Washington  
November 30, 2022

AUDITED FINANCIAL STATEMENTS

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 602,102	\$ 494,545
Accounts receivable	1,601	243
Current portion of pledges receivable	<u>25,000</u>	<u>          </u>
Total Current Assets	628,703	494,788
OTHER ASSETS		
Pledges receivable, net of current portion and allowance for uncollectible pledges		75,000
Assets held in charitable remainder trust		58,641
Donated goods inventory	41,044	40,555
Cash restricted to endowment	20,372	5,600
Investments	<u>2,204,261</u>	<u>1,927,605</u>
Total Other Assets	<u>2,265,677</u>	<u>2,107,401</u>
Total Assets	<u>\$ 2,894,380</u>	<u>\$ 2,602,189</u>

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

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ <u>19,765</u>	
Total Current Liabilities	19,765	
LIABILITY UNDER TRUST AGREEMENT	<u>                    </u>	\$ <u>2,838</u>
Total Liabilities	19,765	2,838
NET ASSETS		
Net assets without donor restrictions		
Undesignated	221,257	140,418
Board-designated	<u>756,566</u>	<u>698,635</u>
Total	977,823	839,053
Net assets with donor restrictions	<u>1,896,792</u>	<u>1,760,298</u>
Total Net Assets	<u>2,874,615</u>	<u>2,599,351</u>
Total Liabilities and Net Assets	<u>\$ 2,894,380</u>	<u>\$ 2,602,189</u>

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



# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2021 With Summarized Comparative Totals  
for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Contributions	\$ 37,714	\$ 278,058	\$ 315,772	\$ 418,900
Contributions and net revenue from special events	47,685	4,434	52,119	46,947
Donated goods and services	253,684	33,066	286,750	310,108
Investment income, net	553	219,421	219,974	134,965
Change in value of charitable remainder trust				25,482
Total Support and Revenue	<u>339,636</u>	<u>534,979</u>	<u>874,615</u>	<u>936,402</u>
Net assets released from restriction and reclassifications	<u>398,485</u>	<u>(398,485)</u>		
Total Support, Revenue and Reclassifications	738,121	136,494	874,615	936,402
<b>EXPENSES</b>				
Program services:				
Scholarships and grants	164,285		164,285	330,731
Program specific support	<u>229,275</u>		<u>229,275</u>	<u>253,428</u>
Total Program Services	393,560		393,560	584,159
Supporting services:				
General and administrative	199,418		199,418	102,125
Fundraising	<u>6,373</u>		<u>6,373</u>	<u>7,253</u>
Total Supporting Services	<u>205,791</u>		<u>205,791</u>	<u>109,378</u>
Total Expenses	<u>599,351</u>		<u>599,351</u>	<u>693,537</u>
Change in Net Assets	138,770	136,494	275,264	242,865
<b>NET ASSETS AT BEGINNING OF YEAR</b>				
	<u>839,053</u>	<u>1,760,298</u>	<u>2,599,351</u>	<u>2,356,486</u>
<b>NET ASSETS AT END OF YEAR</b>				
	<u>\$ 977,823</u>	<u>\$ 1,896,792</u>	<u>\$ 2,874,615</u>	<u>\$ 2,599,351</u>

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

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 and 2020

	2021				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 55,809			\$ 55,809
Bad debt expense			\$ 75,000		75,000
Bank service charges			1,908		1,908
Board development			186		186
College promotion		2,491			2,491
Donated goods expense		2,937		\$ 125	3,062
Donated services expense		145,869	99,639	2,325	247,833
Donor recognition			634	8	642
Emergency grants	\$ 44,778				44,778
Faculty and staff awards	5,000				5,000
Insurance			1,438		1,438
License and permits			160		160
Professional services			20,295		20,295
Purchased services				2,548	2,548
Software maintenance			26	895	921
Scholarship awards	114,507				114,507
Supplies			132	472	604
Transfers of donated goods to CPTC		22,169			22,169
<b>Total Expenses</b>	<b>\$ 164,285</b>	<b>\$ 229,275</b>	<b>\$ 199,418</b>	<b>\$ 6,373</b>	<b>\$ 599,351</b>

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

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Years Ended December 31, 2021 and 2020

	2020				Total
	Program Services		Supporting Services		
	Scholarships and Grants	Program Specific Support	General and Administrative	Fundraising	
Academic program support		\$ 32,329			\$ 32,329
Bank service charges			\$ 1,544	\$ 265	1,809
Board development			504		504
College promotion		8,819		10	8,829
Donated goods expense				25	25
Donated services expense		172,685	81,015	2,370	256,070
Donor recognition			91		91
Emergency grants	\$ 213,193				213,193
Faculty and staff awards	7,000				7,000
Hospitality			15	554	569
Insurance			1,408		1,408
License and permits			85	60	145
Meals			126		126
Professional services			16,500		16,500
Purchased services				1,410	1,410
Scholarship awards	110,538				110,538
Supplies			837	2,559	3,396
Transfers of donated goods to CPTC		39,595			39,595
<b>Total Expenses</b>	<b>\$ 330,731</b>	<b>\$ 253,428</b>	<b>\$ 102,125</b>	<b>\$ 7,253</b>	<b>\$ 693,537</b>

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

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 275,264	\$ 242,865
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	75,000	
Realized and unrealized gain on investments, net	(193,234)	(129,017)
Contributions restricted to endowment	(75,721)	(109,808)
Change in liability under trust agreement		(25,482)
Unrealized gain on assets held in beneficiary charitable remainder trust	3,512	1,289
(Increase) decrease in assets:		
Accounts receivable	(1,358)	2,673
Pledges receivable	(25,000)	11,500
Donated goods inventory	(489)	(500)
Increase (decrease) in liabilities:		
Accounts payable	<u>19,765</u>	
Net Cash Provided (Used) by Operating Activities	77,739	(6,480)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	146,803	1,216,793
Purchases of investments	(230,225)	(1,782,636)
Deposits of current year earnings to charitable remainder trust, net	(9,444)	(6,253)
Trust distributions received for beneficiary payments	2,838	5,676
Remainder distribution from charitable remainder trust (see Note 5)	<u>61,735</u>	
Net Cash Used by Investing Activities	<u>(28,293)</u>	<u>(566,420)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from endowment contributions	75,721	109,808
Payments to beneficiary of charitable remainder trust	<u>(2,838)</u>	<u>(5,676)</u>
Net Cash Provided by Financing Activities	72,883	104,132
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>122,329</u>	<u>(468,768)</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>500,145</u>	<u>968,913</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR (see Note 12)</b>	<u>\$ 622,474</u>	<u>\$ 500,145</u>

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

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Description of Organization***

Clover Park Technical College Foundation (the Foundation) is a nonprofit organization dedicated to the needs of Clover Park Technical College (the College) students and programs. Established in 1992, the Foundation is overseen by a volunteer board of up to 24 members from the surrounding community and industries which are served by the College. The Foundation's mission is to raise funds for the College to better enable the College to provide students with the knowledge, skills and values necessary to succeed in the workforce of today and tomorrow. The Foundation's office is located in Lakewood, Washington.

##### ***Agreement with Clover Park Technical College***

The Foundation operates under a Memorandum of Understanding (MOU), which began in 1993 and was updated in February 2015. The MOU allows the Foundation to raise and hold economic resources for the direct benefit of the College, which is a governmental unit. In exchange, the College provides the Foundation with resources to operate the Foundation (see Note 11). Due to the significance of the financial relationship with the College, in accordance with Governmental Accounting Standards Board (GASB) No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB No. 14, the Foundation is included as a component unit in the College's comprehensive annual financial report. Funds of the Foundation are neither subject to the State of Washington appropriation process nor are held in the State treasury and are not owned by the State.

##### ***Basis of Presentation***

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) industry topic applicable to Not-for-Profit Entities. In accordance with the FASB ASC topic, the Foundation reports information regarding its financial position and activities according to two classes of net assets:

##### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions.

##### ***Net Assets With Donor Restrictions***

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

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

##### ***Basis of Presentation*** (Continued)

Support and contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

##### ***Cash and Cash Equivalents***

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### ***Pledges and Accounts Receivable***

The Foundation's pledges are contributions from individuals and corporations which are available for general or specific uses. The Foundation provides for losses on pledges and accounts receivable using the allowance method. There was no allowance for uncollectible pledges at December 31, 2021. The allowance for uncollectible pledges was \$20,313 at December 31, 2020. The allowance is based on an analysis of specific donors, taking into consideration the age of past due amounts. It is the Foundation's policy to charge off uncollectible pledges and accounts receivable when management determines the receivable will not be collected. The accounts receivable were \$2,916 at December 31, 2019.

##### ***Donated Goods Inventory***

Donated goods inventory is recorded at its fair value on the date of donation. Donated goods inventory primarily includes assets which will be transferred, at a later date, to the College for programmatic or administrative use. Donated goods inventory also includes smaller items that will either be consumed or sold by the Foundation.

##### ***Investments***

Investments are stated at fair value. The Foundation follows the investment objectives and spending guidelines contained in a formal investment policy for the endowment account.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

##### ***Split Interest Agreement***

The charitable remainder trust designated the Foundation as both the trustee and remainder beneficiary (see Note 5). The Foundation was required to ensure payments were made to the donor (or another donor-designated income beneficiary) during the beneficiary's life. Trust assets were measured at fair value when received, and were carried by the Foundation at fair value. A corresponding trust liability was measured at the present value of expected future cash flows to be paid to the beneficiary, computed using applicable discount rates. Upon death of all beneficiaries, substantially all of the principal balance would pass to the Foundation to be used in accordance with the donor's wishes; this occurred during 2021.

##### ***Contributions***

Contributions, including unconditional promises to give, are recognized in the period received. Contributions of assets other than cash are recorded at their estimated fair value when originally pledged or donated. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

##### ***Management Fee Income***

The Foundation instituted a management fee policy in order to help fund the cost of managing restricted funds. Per the policy, endowment funds are assessed a 1% annual management fee calculated using the three year rolling average of the market value of each endowed fund. Donor designated contributions are assessed a one-time fee of 5%, excluding gifts for scholarships.

##### ***Donated Services and Facilities***

In consideration of the Foundation's efforts on behalf of Clover Park Technical College, the College has agreed to provide the Foundation office space, furniture and equipment, supplies, and the use of certain services available through the College's resources. Clover Park Technical College also provides staff services to the Foundation including the Executive Director and support staff. The College's budgeted value of these support services was \$235,000 for both years ended December 31, 2021 and 2020. This may differ from the actual support provided to the Foundation (see Note 11). In addition, the Foundation recorded \$20,800 in donated accounting services in 2021; no such amounts were recorded for 2020.

The Foundation receives a substantial amount of services from volunteers. No amounts have been reflected in the financial statements for those noncash services since they do not meet the criteria for recognition. However, the volunteer services are an important part of the Foundation's program services and other activities.

# CLOVER PARK TECHNICAL COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

#### ***Fundraising Activities***

Fundraising activities generally are comprised of transactions which include both a contribution and exchange component. The FASB ASC requires that a not-for-profit entity determine the fair value of the exchange portion of the transaction first, and report the remaining portion of the transaction (excess of the resources received by the donor over the fair value of the exchange portion) as a contribution.

Fundraising and special events activities are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Contributions	\$ 47,102	\$ 48,434
Revenue	18,713	12,430
Less costs of direct benefits to donors	<u>(13,696)</u>	<u>(13,917)</u>
Total	\$ <u>52,119</u>	\$ <u>46,947</u>

#### ***Allocation of Functional Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, management and general and fundraising based on the benefits derived. The primary allocated costs are the in-kind services and facilities provided, and are allocated using percentages based on the relative time spent or resources utilized in each function.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.



## **CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2021 and 2020

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

##### ***Federal Income Tax***

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has not identified any transactions that are subject to unrelated business income tax.

##### ***Reclassifications***

Certain 2020 amounts have been reclassified to conform with the 2021 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

##### ***Subsequent Events***

Management has evaluated subsequent events through November 30, 2022 which is the date that the financial statements are available to be issued.

##### ***Summarized Information for 2020***

The financial statements include certain prior period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information is derived.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that obligations under endowments with donor restrictions will continue to be met, ensuring the sustainability of the Foundation.

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used primarily to fund scholarship awards and emergency grants. In addition, the Foundation receives support without donor restrictions. Such support typically does not exceed total annual funding needs.

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

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for management and general, and fundraising expenses plus an amount that represents the expected payments for scholarships and grants.

The table below presents financial assets available for general expenditures within one year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 602,102	\$ 494,545
Accounts receivable	1,601	243
Current portion of pledges receivable	25,000	
Operating reserves (see Note 8)	<u>(58,264)</u>	<u>(63,360)</u>
Total	<u>\$ 570,439</u>	<u>\$ 431,428</u>

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Less than one year	\$ 25,000		\$ 56,500
One to five years		<u>\$ 95,313</u>	<u>56,563</u>
Total	<u>25,000</u>	95,313	113,063
Less Allowance for uncollectible pledges		<u>(20,313)</u>	<u>(26,563)</u>
Pledges receivable, net	<u>25,000</u>	75,000	86,500
Less Current Portion	<u>(25,000)</u>		<u>(56,500)</u>
 Total Pledges Receivable, Long-term	 \$ _____	 \$ <u>75,000</u>	 \$ <u>30,000</u>

During 2021 \$75,000 in pledges receivable were written off as uncollectible.

#### NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation uses the FASB ASC topic for *Fair Value Measurement* which establishes a fair value hierarchy for reporting that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable units other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. There were no Level 2 inputs applied to the Foundation's accounts.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair value for various balance sheet accounts is determined as follows:

##### ***Investments***

Fair values for investments are determined by reference to quoted market prices for similar investments, yield curves and other relevant information.

##### ***Charitable Remainder Annuity Trust***

The projected annuity liability, due to the beneficiary, is based on a number of assumptions and unobservable measurements (see Note 5).

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

##### **Level 3 Fair Value Measurements**

The remainder benefit of the trust is measured on a recurring basis using significant unobservable inputs (Level 3). The following is the remainder benefit at December 31:

	<u>2021</u>	<u>2020</u>
Beginning balance of trust assets	\$ 58,641	\$ 59,353
Distribution to beneficiary	(2,838)	(5,676)
Distribution of remainder to the Foundation	(61,735)	
Net earnings	5,932	4,964
Projected annuity liability	<u>          </u>	<u>(2,838)</u>
Remainder benefit	\$ <u>          </u>	\$ <u>55,803</u>

#### NOTE 5 - CHARITABLE REMAINDER ANNUITY TRUST (CRAT)

The Foundation is the remainder beneficiary and trustee of a charitable remainder annuity trust. Under the terms of the trust, the Foundation will pay the donor an annuity of 6% of the net fair market value of the asset in the trust as of the date the trust was established. The original value was \$94,000 and payments of approximately \$470 are made monthly from income and, to the extent that income is not sufficient, from principal.

The trust asset was reported at fair market value, which was \$58,641 at December 31, 2020. The donor passed away in 2021 and the liability was adjusted accordingly. At December 31, 2020, the liability was \$2,838 and the fair value of the trust investments exceeded the projected annuity liability by \$55,803. During 2021 and 2020, \$2,838 and \$5,676, respectively, was withdrawn, from the trust, to cover payments to the beneficiary. The remaining trust funds of \$61,735 were withdrawn and deposited into the Foundation's bank account during 2021, in accordance with the trust agreement.

#### NOTE 6 - INVESTMENTS

The Foundation maintains three "pooled" investment accounts for its donor-restricted endowments at December 31, 2021 and 2020.

##### **Donor-Restricted Endowments**

The Foundation's pooled investments primarily consists of named endowment funds, which were established for educational and recognition purposes (see Note 10). As required by the FASB ASC industry topic applicable to *Not-for-Profit Entities*, net assets associated with the endowments funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### **NOTE 6 - INVESTMENTS** (Continued)

##### ***Interpretation of SPMIFA***

The Board of Directors has interpreted the Washington State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected rate of total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policy.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

##### ***Allocation of Investment Income***

Realized and unrealized gains and losses from securities in the pooled investment account are allocated to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the pooled investment account, as adjusted for additions to or deductions from those accounts, such as for scholarships and grants awarded. Investments are stated at their fair value.

**CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

**NOTE 6 - INVESTMENTS** (Continued)

Investments at December 31 consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Assets held in charitable remainder trust			\$ 55,129	\$ 58,641
Investments - long-term:				
Money funds (see Note 7)	\$ 157,392	\$ 157,392	507,709	507,709
Equities	646,569	846,566	464,605	497,234
Mutual funds	432,351	524,395	327,604	369,781
Fixed income funds	89,167	86,601	450,920	448,938
Bonds	<u>614,077</u>	<u>589,307</u>	<u>104,401</u>	<u>103,943</u>
Total Investments - long-term	<u>1,939,556</u>	<u>2,204,261</u>	<u>1,855,239</u>	<u>1,927,605</u>
Total Investments	<u>\$ 1,939,556</u>	<u>\$ 2,204,261</u>	<u>\$ 1,910,368</u>	<u>\$ 1,986,246</u>

**Investment Income**

Investment income consists of the following for the year ended December 31, 2021:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 553	\$ 35,065	\$ 35,618
Realized gain, net		895	895
Unrealized gain, net		192,339	192,339
Change in CRAT, net		3,094	3,094
Investment fees	—	<u>(11,972)</u>	<u>(11,972)</u>
	<u>\$ 553</u>	<u>\$ 219,421</u>	<u>\$ 219,974</u>

Investment income consists of the following for the year ended December 31, 2020:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest and dividends	\$ 928	\$ 21,795	\$ 22,723
Realized gain, net		156,946	156,946
Unrealized loss, net		(27,929)	(27,929)
Change in CRAT, net		(712)	(712)
Investment fees	—	<u>(16,063)</u>	<u>(16,063)</u>
	<u>\$ 928</u>	<u>\$ 134,037</u>	<u>\$ 134,965</u>

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 6 - INVESTMENTS (Continued)

##### **Investment Policy**

The Foundation has an investment committee which is responsible for the management and investment allocation of funds, in accordance with their investment policy. Investments are made to secure financial gains for the benefit of the Foundation and its commitments through consideration of capital preservation and risk aversion. The policy contains guidelines regarding the types of assets to be maintained in the portfolio as well as guidelines about prohibited transactions. In addition, the Foundation has an endowment expenditure policy, which provides procedures to compute annual expenditures, based on a rolling average. If there are no earnings available, no distribution is made.

##### **Composition**

Investment composition, by restriction, at year end is as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions (see Note 8)	\$ 698,302	\$ 635,275
With donor restrictions	<u>1,505,959</u>	<u>1,350,971</u>
Total	<u>\$ 2,204,261</u>	<u>\$ 1,986,246</u>

##### **Reconciliation of Investments**

A reconciliation of the assets held for the charitable remainder trust and the endowment pooled investment accounts at December 31 is as follows:

	<u>2021</u>		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 58,641	\$ 1,927,605	\$ 1,986,246
Beneficial interest distribution	(61,735)		(61,735)
Contributions		130,545	130,545
Distributions	(2,838)	(70,216)	(73,054)
Interest and dividends	572	35,065	35,637
Realized gain	9,138	895	10,033
Unrealized gain	(3,512)	192,339	188,827
Investment fees	<u>(266)</u>	<u>(11,972)</u>	<u>(12,238)</u>
Ending Balance	<u>\$ _____</u>	<u>\$ 2,204,261</u>	<u>\$ 2,204,261</u>

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 6 - INVESTMENTS (Continued)

A reconciliation of the assets held for the charitable remainder trust and the endowment pooled investment accounts at December 31 is as follows:

	<u>2020</u>		
	<u>Trust</u>	<u>Pooled</u>	<u>Total</u>
Beginning balance	\$ 59,353	\$ 1,227,069	\$ 1,286,422
Contributions		631,327	631,327
Distributions	(5,676)	(65,540)	(71,216)
Interest and dividends	963	21,795	22,758
Realized gain	7,331	156,946	164,277
Unrealized loss	(1,289)	(27,929)	(29,218)
Investment fees	<u>(2,041)</u>	<u>(16,063)</u>	<u>(18,104)</u>
Ending Balance	\$ <u>58,641</u>	\$ <u>1,927,605</u>	\$ <u>1,986,246</u>

#### NOTE 7 - CASH-MONEY FUNDS

Investments - long-term includes cash money funds (see Note 6). Money funds are designated for the following at December 31:

	<u>2021</u>	<u>2020</u>
Exceptional Faculty Fund	\$ 4,586	\$ 4,593
Regular Endowments Fund	134,249	482,645
Title III Funds	<u>18,557</u>	<u>20,471</u>
Total	\$ <u>157,392</u>	\$ <u>507,709</u>



## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 8 - BOARD-DESIGNATED NET ASSETS

The board authorizes certain reserves to be set aside as board-designated, unrestricted net assets. The designations are set aside for the following at December 31:

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds:		
Adriatic Grill board match	\$ 5,500	\$ 5,500
Autobody Craftsman	271	271
Classic Glass Corvette	5,000	5,000
Emergency grants board match	79,131	79,131
Eva Gordon	530,860	500,000
Instructional Program endowment	36,736	
Jolly-Morse Scholarship	5,000	5,000
KVTI	20,645	20,645
McManus-McGavick	7,030	7,030
South Tacoma Rotary	5,000	5,000
Student Success		6,569
WA State Histology Society	1,129	1,129
Woodworth	<u>2,000</u>	<u>          </u>
Subtotal	698,302	635,275
Operating reserves	<u>58,264</u>	<u>63,360</u>
Total	<u>\$ 756,566</u>	<u>\$ 698,635</u>

The board designated net assets are held in cash and cash equivalent accounts as well as in a pooled investment account. The amount held at December 31, 2021 and 2020 in a pooled investment account was \$698,302 and \$635,275, respectively.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are available for scholarships, emergency grants and specific program uses.

The net assets with donor restrictions are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure or time restrictions:		
Academic programs and staff/faculty awards	\$ 79,348	\$ 176,727
Endowment matching fund contributions (a)	150,000	150,000
Scholarships and student emergency assistance	250,852	180,297
Restricted for next fiscal year		3,000
Donated goods	41,044	40,755
Investment earnings restricted for future scholarships and grants	401,507	255,396
Charitable remainder trust excess of trust assets over obligation (see Note 5)		<u>55,803</u>
Total subject to expenditure or time restrictions	<u>922,751</u>	<u>861,978</u>
Endowments to be held in perpetuity:		
Scholarships, awards and emergency assistance (see Note 10)	<u>974,041</u>	<u>898,320</u>
Total endowments to be held in perpetuity	<u>974,041</u>	<u>898,320</u>
Total net assets with donor restrictions	<u>\$ 1,896,792</u>	<u>\$ 1,760,298</u>

- (a) Funds were received from the U.S. Department of Education in prior years under the Title III program. The funds were made available to the Foundation to grow the endowment, which generates income for scholarships and grants to be made available to eligible applicants. If the funds are used for the intended purpose for 20 years, the original matching Title III grant becomes unrestricted. The Foundation Board provided a commitment to donors, who contributed to the permanently restricted endowment, that once the temporary restriction on the Title III funds was met, the Foundation Board would continue to hold the original Title III award in the endowment account as board designated net assets. The Title III temporary restriction expires in 2024 and 2025.

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 10 - NAMED ENDOWMENT ACCOUNTS

The Foundation informs its donors that there is a \$12,000 minimum amount required before a separate named endowment account may be established. Prior to 2015, the minimum was \$10,000. This minimum threshold can be met with both restricted donor contributions and otherwise unrestricted funds (Board designations). All named endowment accounts are pooled together for investment purposes. Named endowment accounts are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Adriatic Grill	\$ 5,770	\$ 5,770
Autobody Craftsman	24,729	24,729
Brenden Emerging Needs	30,499	30,499
Brenden Horticulture and Environmental Science	71,164	71,164
Broxon White	18,000	
Pauline Burton Memorial	11,500	11,500
Classic Glass Corvette	19,100	19,000
Clover Park/LeMay Restoration	30,000	30,000
Clover Park Rotary	5,900	5,900
Elliot/Patrick Endowment	48,000	48,000
Emergency Grants	79,383	76,773
Exceptional Faculty	80,000	80,000
Goranson Memorial	10,358	10,358
Hamilton Family	101,000	101,000
Harkness Family	117,359	91,962
Jeffrey Lee Davis	12,800	
Kayce JoAnna White	2,000	
Leila Bishuti Lee	7,009	7,009
Lincoln Park Masonic Lodge #80	15,000	15,000
Dr. Sharon McGavick	16,423	15,423
McGranahan	19,065	19,055
McManus-McGavick	22,676	22,676
Jolly-Morse Scholarship	10,514	10,514
Mt. Tahoma	16,201	9,595
Rainier Pacific Bank	10,000	10,000
Schoonmaker, Linda J. and Ronald A.	10,250	10,250
Senator Winsley	10,000	10,000
Sharpe Memorial	15,973	15,973
Sonntag Family Scholarship	13,845	13,545
South Tacoma Rotary	21,000	19,000
US West	20,000	20,000
Washington Restaurant	10,000	10,000
Washington State Histology Society	10,871	10,871
Wendy Joseph Cares	12,748	7,850
Earl C. White Williamson	54,904	54,904
Woodworth	<u>10,000</u>	<u>10,000</u>
Total	\$ <u>974,041</u>	\$ <u>898,320</u>

## CLOVER PARK TECHNICAL COLLEGE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

#### NOTE 11 - AFFILIATED ENTITY

##### ***Agreement***

The Foundation operates under an MOU with the College (see Note 1). This agreement is for an indefinite period, but may be terminated by either party with 90 days' advance notice and notification may only be given at the end of the State of Washington's fiscal biennium.

##### ***Support Received by College***

The College budgeted \$235,000 annually for the fair value of office space, furniture and equipment, supplies and related office expenses as well as for professional staff to operate the Foundation for both of the years ended December 31, 2021 and 2020. The value of these services received by the Foundation approximated \$231,000 and \$249,000 for the years ended December 31, 2021 and 2020, respectively.

##### ***Foundation Support Provided to College***

The Foundation provided support totaling \$393,560 and \$584,159 during the years ended December 31, 2021 and 2020, respectively, for student and direct program support, College-related functions and general promotion and recognition activities. This support includes donated goods received by the Foundation, which were transferred to the College for use in programs and general operations.

#### NOTE 12 - STATEMENT OF CASH FLOWS

Cash and cash equivalents and restricted cash as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 602,102	\$ 494,545
Cash restricted to endowment	<u>20,372</u>	<u>5,600</u>
Cash, cash equivalents and restricted cash as shown in the statement of cash flows	<u>\$ 622,474</u>	<u>\$ 500,145</u>

Restricted cash represents amounts received with donor-imposed restrictions that limit the use of the cash to a named endowment account. Such amounts are transferred to the pooled investment account shortly after year-end.

## **CLOVER PARK TECHNICAL COLLEGE FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2021 and 2020

#### **NOTE 13 - CONCENTRATIONS**

##### ***Concentration of Credit Risk***

The Foundation may, at times, have cash balances that exceed federally insured deposit limits. Management has not experienced any losses and believes there is minimal risk associated with these cash balances. Investment accounts are not federally insured and accordingly are subject to loss of principal.

##### ***Support***

The Foundation receives the majority of its contributions from staff, faculty, alumni, and local businesses.

The Foundation receives substantially all of its staff and faculty resources through an agreement with the College.

#### **NOTE 14 - RISKS AND UNCERTAINTIES**

The Foundation invests in various investment securities and is the beneficiary of a trust, which invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts available for future operations.