

**LOWER COLUMBIA
COLLEGE FOUNDATION**

Audited Financial Statements

June 30, 2023 and 2022

LOWER COLUMBIA COLLEGE FOUNDATION

Audited Financial Statements

June 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT 1-2

AUDITED FINANCIAL STATEMENTS

Statements of Financial Position..... 3-4

Statements of Activities 5-6

Statements of Functional Expenses..... 7-8

Statements of Cash Flows9

Notes to Financial Statements..... 10-21



1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Directors
Lower Columbia College Foundation
Longview, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lower Columbia College Foundation (a nonprofit Foundation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

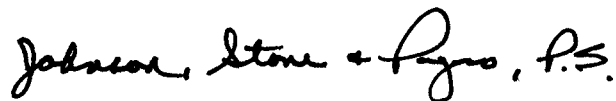
Auditor's Responsibilities for the Audit of the Financial Statements

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 U.S. GAAS 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 U.S. GAAS, 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 the 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 the 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.



JOHNSON, STONE & PAGANO, P.S.

January 8, 2024

AUDITED FINANCIAL STATEMENTS

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,693,030		\$ 1,693,030
Promises to give, net	89,333	\$ 1,165,687	1,255,020
Investments	2,213,714	20,211,906	22,425,620
Prepaid expenses	917		917
Vehicles held for resale	11,869		11,869
Property and equipment, net	<u>35,690</u>		<u>35,690</u>
TOTAL ASSETS	<u>\$ 4,044,553</u>	<u>\$ 21,377,593</u>	<u>\$ 25,422,146</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>\$ 63,225</u>		<u>\$ 63,225</u>
Total Liabilities	63,225		63,225
<u>NET ASSETS</u>			
Without donor restrictions			
Undesignated	3,582,104		3,582,104
Board-designated for endowments	399,224		399,224
With donor restrictions			
Purpose, time or perpetual restrictions for the College		\$ 3,036,990	3,036,990
Purpose restricted for endowments		3,407,100	3,407,100
Perpetually restricted for endowments		<u>14,933,503</u>	<u>14,933,503</u>
Total Net Assets	<u>3,981,328</u>	<u>21,377,593</u>	<u>25,358,921</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,044,553</u>	<u>\$ 21,377,593</u>	<u>\$ 25,422,146</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,175,479		\$ 2,175,479
Promises to give, net	13,425	\$ 1,206,596	1,220,021
Investments	1,501,577	17,517,543	19,019,120
Prepaid expenses	885		885
Vehicles held for resale	21,424		21,424
Property and equipment, net	30,963		30,963
TOTAL ASSETS	<u>\$ 3,743,753</u>	<u>\$ 18,724,139</u>	<u>\$ 22,467,892</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	\$ 65,674		\$ 65,674
Accrued liabilities	2,073		2,073
Total Liabilities	67,747		67,747
NET ASSETS			
Without donor restrictions			
Undesignated	3,276,782		3,276,782
Board-designated for endowments	399,224		399,224
With donor restrictions			
Purpose, time or perpetual restrictions for the College		\$ 2,894,069	2,894,069
Purpose restricted for endowments		2,367,611	2,367,611
Perpetually restricted for endowments		13,462,459	13,462,459
Total Net Assets	<u>3,676,006</u>	<u>18,724,139</u>	<u>22,400,145</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,743,753</u>	<u>\$ 18,724,139</u>	<u>\$ 22,467,892</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions			
Individuals	\$ 158,082	\$ 2,079,697	\$ 2,237,779
In-kind	343,482		343,482
Net investment income	524,019	1,528,565	2,052,584
Special events income	5,720	5,110	10,830
Vending machine income	21,102		21,102
Interest income	29		29
Net assets released from restrictions	959,918	(959,918)	
Total Revenue and Support	2,012,352	2,653,454	4,665,806
EXPENSES			
Program	1,350,292		1,350,292
Management and general	246,727		246,727
Fundraising	110,011		110,011
Total Expenses	1,707,030		1,707,030
CHANGE IN NET ASSETS	305,322	2,653,454	2,958,776
Net Assets at Beginning of Year	3,676,006	18,724,139	22,400,145
NET ASSETS AT END OF YEAR	\$ 3,981,328	\$ 21,377,593	\$ 25,358,921

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions			
Individuals	\$ 77,612	\$ 1,966,383	\$ 2,043,995
In-kind	205,237		205,237
Net investment loss	(312,295)	(2,957,625)	(3,269,920)
Special events income	70,215	17,610	87,825
Vending machine income	9,688		9,688
Interest income	33		33
Charitable gift annuity	1,854		1,854
Net assets released from restrictions	<u>1,176,673</u>	<u>(1,176,673)</u>	
Total Revenue and Support	1,229,017	(2,150,305)	(921,288)
EXPENSES			
Program	1,066,159		1,066,159
Management and general	216,157		216,157
Fundraising	<u>99,008</u>		<u>99,008</u>
Total Expenses	<u>1,381,324</u>		<u>1,381,324</u>
CHANGE IN NET ASSETS	(152,307)	(2,150,305)	(2,302,612)
Net Assets at Beginning of Year	<u>3,828,313</u>	<u>20,874,444</u>	<u>24,702,757</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,676,006</u>	<u>\$ 18,724,139</u>	<u>\$ 22,400,145</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	<u>Program Support</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Scholarships	\$ 546,101			\$ 546,101
Grants	115,336			115,336
College support	357,139			357,139
Equipment contributed to the College	80,877			80,877
Art contributed to the College	24,100			24,100
Salaries	152,345	\$ 144,221	\$ 85,493	382,059
Office expenses	66,968	16,742	161	83,871
Special event direct costs			10,475	10,475
Donor recognition			10,479	10,479
In-kind rent expense	4,968	11,527	3,378	19,873
Professional services		20,275		20,275
Advertising	2,458	615	25	3,098
Software		40,418		40,418
Insurance		3,346		3,346
Gain on sale of vehicle		(577)		(577)
Depreciation		10,160		10,160
TOTAL EXPENSES	<u>\$ 1,350,292</u>	<u>\$ 246,727</u>	<u>\$ 110,011</u>	<u>\$ 1,707,030</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended June 30, 2022

	<u>Program Support</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Scholarships	\$ 494,409			\$ 494,409
Grants	99,952			99,952
College support	254,431			254,431
Equipment contributed to the College	26,804			26,804
Art contributed to the College	150			150
Salaries	120,837	\$ 116,964	\$ 75,785	313,586
Office expenses	62,424	15,606	501	78,531
Special event direct costs			10,794	10,794
Donor recognition			3,593	3,593
In-kind rent expense	4,871	11,301	3,312	19,484
Professional services		19,500		19,500
Advertising	2,281	570	23	2,874
Software		37,833		37,833
Insurance		3,206		3,206
Pledge write-offs			5,000	5,000
Loss on sale of vehicle		2,481		2,481
Depreciation		8,696		8,696
TOTAL EXPENSES	<u>\$ 1,066,159</u>	<u>\$ 216,157</u>	<u>\$ 99,008</u>	<u>\$ 1,381,324</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,958,776	\$ (2,302,612)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	10,160	8,696
Donated securities	(79,000)	(39,233)
(Gain) loss on sale of vehicle	(577)	2,481
Contributions restricted for long-term purposes	(1,330,879)	(1,312,543)
Unrealized and realized (gains) losses on investments	(1,442,164)	3,736,124
Change in assets and liabilities		
Decrease (increase) in promises to give	(34,999)	211,629
Increase in prepaid expenses	(32)	(44)
Decrease in accounts payable	(2,449)	(17,338)
Increase (decrease) in accrued liabilities	(2,073)	660
Decrease in charitable gift annuity		(2,084)
Net Cash Provided by Operating Activities	<u>76,763</u>	<u>285,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(27,979,686)	(79,378)
Proceeds from sale of investments	26,792,881	252,608
Purchase of property and equipment	(18,778)	(7,061)
Proceeds from sale of property and equipment	14,023	900
Reinvested earnings	(698,531)	(563,494)
Net Cash Used by Investing Activities	<u>(1,890,091)</u>	<u>(396,425)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	<u>1,330,879</u>	<u>1,312,543</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(482,449)	1,201,854
Cash and Cash Equivalents at Beginning of Year	<u>2,175,479</u>	<u>973,625</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,693,030</u>	<u>\$ 2,175,479</u>

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

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation

The Lower Columbia College Foundation (the "Foundation"), a not-for-profit corporation established in the state of Washington, operates in support of Lower Columbia College (the "College"). The Foundation is dedicated to providing a conduit for private support of the College through scholarship endowments, program grants and similar types of support. The following is a summary of the significant accounting principles applied by management in the preparation of these financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all, or part, of the income earned on any related investments for general or specific purposes. The Foundation requires a minimum contribution of \$25,000 to establish a new endowment fund.

Revenue Recognition

Contributions and promises to give, including unconditional promises to give, are recognized as revenues in the period received.

Unconditional promises to give that extend beyond one year are recorded at present value, which approximates fair value, net of an allowance for doubtful accounts. The allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of the gift.

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a temporary restriction expires, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Interest income realized and unrealized gains or losses on investments are recognized when earned or incurred. Dividend income is recorded when received.

Contributions of non-cash assets are recorded at their fair values in the period received. The Foundation receives a wide array of gifts for the different College programs, including vehicles, consumable materials and supplies and artwork. Non-cash donations with estimated values of \$500 or less are passed on to the College. Donations with estimated values greater than \$500 follow IRS guidelines for valuation and disposal.

In-kind Materials and Services

The Foundation has an agreement with Lower Columbia College to seek to accrue contributions, gifts, bequests, etc. for the benefit of the College and to provide management of those resources. In exchange, the Foundation receives office space and certain employee services required for its operations. These items are recorded as in-kind contributions, in-kind rent expense and payroll expenses in the Foundation's financial statements. In-kind rent and services received from the College totaled \$225,466 and \$173,622 for the years ended June 30, 2023 and 2022, respectively.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all unrestricted highly liquid financial instruments with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair value. Net gains and losses on investments include realized and unrealized gains and losses. Unrealized gains and losses result from changes in the fair value of the investments. Investments consist of open-end mutual funds and exchange traded funds registered as investment companies with fair value based upon daily quoted prices. Capital gains or losses on sale of investments are calculated using the average cost method.

Net investment income (defined as dividends, interest and net realized and unrealized gains and losses on investments, capital gains, net of investment management fees) is reported as follows:

- As increases or decreases in net assets with donor restrictions if the terms of the underlying endowment funds designate the purpose for specific departments, programs or otherwise stipulated by the donor.

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

- As increases or decreases in net assets without donor restrictions if the terms of the underlying individual endowment funds and gifts are board-designated.
- As increases or decreases in net assets without donor restrictions if the terms of the underlying individual funds and gifts are not endowed or restricted for specific purposes.

Vehicles Held for Resale

Vehicles held for resale consist of donated vehicles the Foundation intends to sell. Donor gifts of vehicles are recorded at the donor's estimate of fair value of the vehicle at the time of the gift. If no value is provided, the Foundation estimates the fair value using available information. Vehicles held for resale are not depreciated. Proceeds from the sale of vehicles are distributed to the College for use in various programs and in accordance with the intent of the donor.

Property and Equipment

The Foundation accepts contributions of non-cash items in the form of personal property. Carrying values are generally determined by the donor's estimate of fair value at the time of the gift. If no value is provided, the Foundation estimates the fair value using available information. At the financial statement date, donated property and equipment consisted of various equipment. The Foundation has granted the College the right to use the equipment items as teaching aids as applicable. Items used as teaching aids are depreciated using the straight-line method over the estimated useful lives of the related assets, which is usually five years. Upon disposition of the equipment, proceeds are distributed to the College for use in various programs and in accordance with the intent of the donor.

Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to income taxes on any net income derived from a trade or business, regularly carried on and not in furtherance of the purposes for which it was granted exemption.

Advertising

The Foundation expenses advertising costs as they are incurred. Advertising costs totaled \$3,098 and \$2,874 for the years ended June 30, 2023 and 2022, respectively.

Credit Risk

The Foundation maintains deposits with financial institutions and with investment companies that may exceed federal depository insurance or security investor protection limits or are not insured. The Foundation makes such investments with high credit quality entities and has not incurred any credit related losses.

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk (Continued)

Investments in general are subject to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that change in the value of investment securities will occur in the near term and that such changes could materially affect the amounts in financial statements.

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 may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Foundation has evaluated subsequent events through January 8, 2024, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,693,030	\$ 2,175,479
Promises to give, receivable in less than one year	326,290	239,335
Investments	<u>22,425,620</u>	<u>19,019,120</u>
	24,444,940	21,433,934
Less financial assets with restrictions and designations		
Board-designated investments	399,224	399,224
Promises to give, time or purpose restricted	326,290	239,335
Investments with purpose restrictions	5,278,566	4,055,084
Financial assets to be held in perpetuity	<u>14,933,503</u>	<u>13,462,459</u>
	<u>20,937,583</u>	<u>18,156,102</u>
Total Financial Assets Available for General Use	\$ <u>3,507,357</u>	\$ <u>3,277,832</u>

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Foundation's investment funds consist of donor-restricted and board-designated endowment funds. Although the Foundation does not intend to spend from its board-designated endowment (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances with banks, and money market funds with trust companies. Cash balances in banks are insured under the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. Investments, including cash, are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 with a \$250,000 limit for cash held in SIPC insured accounts. Cash and investment balances exceed FDIC and SIPC insured limits.

NOTE 4 - PROMISES TO GIVE

Promises to give are estimated to be collected as follows at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 326,290	\$ 239,335
Receivable in one to five years	886,166	824,900
Receivable over five years	<u>89,500</u>	<u>189,500</u>
	1,301,956	1,253,735
Less allowance for uncollectable promises to give	5,568	4,388
Less discount to present value	<u>41,368</u>	<u>29,326</u>
Promises to Give, net	\$ <u>1,255,020</u>	\$ <u>1,220,021</u>

NOTE 5 - INVESTMENTS

Investments are classified as follows for June 30:

	<u>2023</u>	<u>2022</u>
Without donor restriction	\$ 2,213,714	\$ 1,501,577
With donor restriction	<u>20,211,906</u>	<u>17,517,543</u>
	\$ <u>22,425,620</u>	\$ <u>19,019,120</u>

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - INVESTMENTS (Continued)

Net investment income (loss) is comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Unrealized and realized gain (loss)	\$ 1,442,164	\$ (3,736,124)
Dividends, interest, and capital gains	698,531	563,494
Investment fees	<u>(88,111)</u>	<u>(97,290)</u>
	<u>\$ 2,052,584</u>	<u>\$ (3,269,920)</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of fair value hierarchy are as follows:

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Foundation's own assumptions on how knowledgeable parties would price assets or liabilities and are developed using the best information available in the circumstances.

Fair values of assets measured on a recurring basis at June 30, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2023</u>				
Bond mutual funds	\$ 7,428,320	\$ 7,428,320		
Equity mutual funds	14,495,366	14,495,366		
Alternative investment funds	<u>501,934</u>	<u>501,934</u>	<u>_____</u>	<u>_____</u>
Total Investments	<u>\$ 22,425,620</u>	<u>\$ 22,425,620</u>	<u>\$ _____</u>	<u>\$ _____</u>
<u>June 30, 2022</u>				
Bond mutual funds	\$ 6,610,595	\$ 6,610,595		
Equity mutual funds	12,288,758	12,288,758		
Alternative investment funds	<u>119,767</u>	<u>119,767</u>	<u>_____</u>	<u>_____</u>
Total Investments	<u>\$ 19,019,120</u>	<u>\$ 19,019,120</u>	<u>\$ _____</u>	<u>\$ _____</u>

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Investments in open-end mutual funds and exchange traded funds are valued at the closing net asset value per share ("NAV") of each underlying fund as reported on each business day.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of equipment used in teaching totaling \$35,690 and \$30,963, respectively, net of accumulated depreciation of \$72,740 and \$67,997 as of June 30, 2023 and 2022, respectively.

NOTE 8 - ENDOWMENT FUNDS

The net asset classification of donor-restricted endowment funds for a not-for-profit is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Disclosures about donor-restricted endowment funds are required.

The Foundation's endowment consists of individual donor-restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the enacted version of UPMIFA as requiring the preservation of the fair value of the original gift at 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 net assets with donor restrictions a) the original value of the gifts donated to the endowment in perpetuity, b) the original value of subsequent gifts to the endowment in perpetuity and c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restriction for perpetual duration is classified as net assets with donor restriction for time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - ENDOWMENT FUNDS (Continued)

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Investment Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that seek the growth of funds so that the principal can build value while providing a predictable stream of funding to programs supported by its endowment funds.

Strategies Employed for Achieving Objectives

The performance objective is to preserve and enhance the purchasing and earning power of the funds by seeking an annual real rate of return of 4% or total return of Consumer Price Index, plus 4%. This objective shall be measured over the long term, 10 - 15-year time frame, with the intent to preserve over time the principal value of the assets as measured in real inflation adjusted terms. To achieve its long-term rate of return objectives, the Foundation relies on an active strategic asset allocation strategy. Total return is achieved through both capital appreciation and current yield. Investments are diversified among mutual funds comprised of U.S. and international issues, including equities, bonds, multi-asset pooled portfolios and alternative investments.

Funds with Deficiencies (Underwater Endowments)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At the year ended June 30, 2022, the fair value of the investments exceeded the Foundations endowment funds' original gift amount. During 2023, a fund with an original gift amount totaling \$372,405 experienced a decline in value of \$14,222 due to market conditions. During 2022, funds with an original gift amount totaling \$2,315,346 experienced a decline in value of \$122,675 due to market conditions.

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - ENDOWMENT FUNDS (Continued)

Spending Policy

The Foundation's endowment spending policy aims to preserve the purchasing power of the endowment. 4% of a three-year rolling average of the value of the endowment may be used to support the fund's purpose for the following academic year. An additional 2% may be transferred to the operating fund for an administrative fee. No assets shall be appropriated for spending whenever the current value of an endowment gift is less than the historic gift amount.

Endowment funds include specific amounts received from outside donors and from donations received from others, income generated thereon, restricted for a purpose or for a period of time, and funds subsequently designated by the Foundation.

Endowment net asset composition by type of fund as of June 30, 2023, are as follows:

	Without Donor Restriction Board- Designated	<u>With Donor Restriction</u>		
		For Time or Purpose	For Perpetual Duration	<u>Total</u>
Cash and cash equivalents	\$ 269,178			\$ 269,178
Investments	<u>130,046</u>	<u>\$ 3,407,100</u>	<u>\$ 14,933,503</u>	<u>18,470,649</u>
	<u>\$ 399,224</u>	<u>\$ 3,407,100</u>	<u>\$ 14,933,503</u>	<u>\$ 18,739,827</u>

Changes in endowment funds for the years ended June 30, 2023, are as follows:

	Without Donor Restrictions - Board- Designated	<u>With Donor Restrictions</u>		
		For Time or Purpose	For Perpetual Duration	<u>Total</u>
Endowment Net Assets at Beginning of Year 2022	\$ 399,224	\$ 2,367,611	\$ 13,462,459	\$ 16,229,294
Net investment income		1,632,505	108,452	1,740,957
Contributions		2,212	1,330,879	1,333,091
Distributions per spending policy		(216,945)		(216,945)
Board approved distributions		(346,570)		(346,570)
Net assets released, designated or transferred	_____	<u>(31,713)</u>	<u>31,713</u>	_____
Endowment Net Assets at End of Year 2023	<u>\$ 399,224</u>	<u>\$ 3,407,100</u>	<u>\$ 14,933,503</u>	<u>\$ 18,739,827</u>

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - ENDOWMENT FUNDS (Continued)

Endowment net asset composition by type of fund as of June 30, 2022, are as follows:

	Without Donor Restrictions - Board- Designated	<u>With Donor Restrictions</u>		
		For Time or Purpose	For Perpetual Duration	<u>Total</u>
Cash and cash equivalents	\$ 254,554			\$ 254,554
Investments	<u>144,670</u>	<u>\$ 2,367,611</u>	<u>\$ 13,462,459</u>	<u>15,974,740</u>
	<u>\$ 399,224</u>	<u>\$ 2,367,611</u>	<u>\$ 13,462,459</u>	<u>\$ 16,229,294</u>

Changes in endowment funds for the years ended June 30, 2022, are as follows:

	Without Donor Restrictions - Board- Designated	<u>With Donor Restrictions</u>		
		For Time or Purpose	For Perpetual Duration	<u>Total</u>
Endowment Net Assets at Beginning of Year 2021	\$ 399,224	\$ 5,677,015	\$ 12,050,177	\$ 18,126,416
Net investment income		(2,626,542)	(122,511)	(2,749,053)
Contributions		3,000	1,312,543	1,315,543
Distributions per spending policy		(296,177)		(296,177)
Board approved distributions		(167,435)		(167,435)
Net assets released, designated or transferred		<u>(222,250)</u>	<u>222,250</u>	
Endowment Net Assets at End of Year 2022	<u>\$ 399,224</u>	<u>\$ 2,367,611</u>	<u>\$ 13,462,459</u>	<u>\$ 16,229,294</u>

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 9 - NET ASSETS

Net assets with donor restrictions as of June 30, 2023, consisted of the following:

	<u>Restricted For Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Student services	\$ 2,331,365	\$ 8,870,505	\$ 11,201,870
Exceptional faculty award	1,019,908	650,825	1,670,733
Instruction	1,293,152	3,887,546	5,180,698
Facilities	380,824	20,000	400,824
Resource development	345,209	1,687,138	2,032,347
Campaign	<u>891,121</u>	<u> </u>	<u>891,121</u>
Total Net Assets	\$ <u>6,261,579</u>	\$ <u>15,116,014</u>	\$ <u>21,377,593</u>

Net assets with donor restrictions as of June 30, 2022, consisted of the following:

	<u>Restricted For Time or Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Student services	\$ 1,406,333	\$ 7,901,764	\$ 9,308,097
Exceptional faculty award	879,712	650,825	1,530,537
Instruction	1,016,973	3,887,545	4,904,518
Facilities	289,594		289,594
Resource development	435,544	1,345,000	1,780,544
Campaign	<u>910,849</u>	<u> </u>	<u>910,849</u>
Total Net Assets	\$ <u>4,939,005</u>	\$ <u>13,785,134</u>	\$ <u>18,724,139</u>

NOTE 10 - EXCEPTIONAL FACULTY AWARDS

The State of Washington has provided funds to community colleges and their foundations that can be used to provide financial awards to deserving faculty members. These grants require that a matching amount be provided by the college or foundation. The Foundation has accepted state grants toward this purpose, and the Board of Directors has designated net assets without donor restrictions to be used to match the state grants. The total funds restricted by donors or designated by the Foundation for exceptional faculty awards are shown below:

LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 10 - EXCEPTIONAL FACULTY AWARDS (Continued)

	<u>2023</u>	<u>2022</u>
Without donor restrictions - board-designated	\$ 399,224	\$ 399,224
Donor restriction by the State of Washington	650,000	650,000
Donor restrictions by other donors	<u>250,825</u>	<u>250,825</u>
	<u>\$ 1,300,049</u>	<u>\$ 1,300,049</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

The Foundation owed the College \$62,997 and \$64,674 as of June 30, 2023 and 2022, respectively. The majority of the amounts due are related to program support.

During the years ended June 30, 2023 and 2022, the Foundation provided \$659,876 and \$594,361, respectively, to the College for student scholarships and grants.

The Foundation receives contributed support under a support services agreement with the College. During the years ended June 30, 2023 and 2022, the College provided \$205,573 and \$154,138, respectively, to the Foundation under the support services agreement which are included in revenues and support and expenses in the accompanying statements of activities.

During the years ended June 30, 2023 and 2022, the Foundation received \$193,308 and \$37,278, respectively, in cash contributions and in-kind support from Foundation board members and related entities.

NOTE 12 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, administrative expenses and advertising, which are allocated on the basis of management's estimates of time and effort.