

**LOWER COLUMBIA
COLLEGE FOUNDATION**

Audited Financial Statements

June 30, 2020

LOWER COLUMBIA COLLEGE FOUNDATION

Audited Financial Statements

June 30, 2020

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Independent Auditor's Report

Board of Directors
Lower Columbia College Foundation
Longview, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Columbia College Foundation (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lower Columbia College Foundation as of June 30, 2020, 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.

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

January 11, 2021

AUDITED FINANCIAL STATEMENTS

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,077,608		\$ 1,077,608
Promises to give, net	21,375	\$ 1,652,977	1,674,352
Investments	1,874,669	15,167,961	17,042,630
Prepaid expenses	820		820
Vehicles held for resale	17,744		17,744
Property and equipment, net	27,958		27,958
TOTAL ASSETS	\$ 3,020,174	\$ 16,820,938	\$ 19,841,112
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	\$ 63,573		\$ 63,573
Accrued liabilities	4,191		4,191
Charitable gift annuity	2,216		2,216
Total Liabilities	69,980		69,980
NET ASSETS			
Without donor restrictions			
Undesignated	2,550,970		2,550,970
Board-designated for endowments	399,224		399,224
With donor restrictions			
Purpose restricted for the college		\$ 3,494,336	3,494,336
Endowments		13,326,602	13,326,602
Total Net Assets	2,950,194	16,820,938	19,771,132
TOTAL LIABILITIES AND NET ASSETS			
ASSETS	\$ 3,020,174	\$ 16,820,938	\$ 19,841,112

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

LOWER COLUMBIA COLLEGE FOUNDATION**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions			
Individuals	\$ 261,927	\$ 1,690,496	\$ 1,952,423
In-kind	228,542		228,542
Net investment income	129,534	382,145	511,679
Special events income	104,005	28,330	132,335
Vending machine income	30,053		30,053
Interest income	1,169		1,169
Gain on sale of vehicles	890		890
Net assets released from restrictions	939,176	(939,176)	
Total Revenue and Support	1,695,296	1,161,795	2,857,091
EXPENSES			
Program	1,058,612		1,058,612
Management and general	188,764		188,764
Fundraising	123,406		123,406
Total Expenses	1,370,782		1,370,782
CHANGE IN NET ASSETS	324,514	1,161,795	1,486,309
Net Assets at Beginning of Year	2,625,680	15,659,143	18,284,823
NET ASSETS AT END OF YEAR	\$ 2,950,194	\$ 16,820,938	\$ 19,771,132

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program	Management and General	Fundraising	Totals
Scholarships	\$ 497,461			\$ 497,461
Grants	98,671			98,671
College support	237,424			237,424
Equipment contributed to the College	54,926			54,926
Salaries	131,170	\$ 120,786	\$ 71,856	323,812
Office expenses	30,894	7,727	428	39,049
Special event direct costs			42,303	42,303
Donor recognition			5,588	5,588
In-kind rent expense	4,682	10,862	3,184	18,728
Professional services		18,654		18,654
Advertising	3,384	846	47	4,277
Software		22,897		22,897
Insurance		2,954		2,954
Charitable gift annuity		781		781
Depreciation		3,257		3,257
TOTAL EXPENSES	\$ 1,058,612	\$ 188,764	\$ 123,406	\$ 1,370,782

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

LOWER COLUMBIA COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,486,309
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	3,257
Donated securities	972
Gain on disposal of vehicles	(890)
Contributions restricted for long-term purposes	(827,660)
Unrealized and realized gains on investments	(116,442)
Change in assets and liabilities	
Increase in promises to give, net	(169,835)
Increase in prepaid expenses	(35)
Increase in accounts payable	2,036
Increase in accrued liabilities	2,630
Decrease in charitable gift annuity	(138)

Net Cash Provided by Operating Activities 380,204

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(943,297)
Proceeds from sale of investments	472,185
Purchase of vehicles	(25,047)
Proceeds from sale of vehicles	3,200
Reinvested earnings	(467,204)

Net Cash Used by Investing Activities (960,163)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for long-term purposes	827,660
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NET INCREASE IN CASH AND CASH EQUIVALENTS

247,701

Cash and Cash Equivalents at Beginning of Year

829,907

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 1,077,608

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

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$20,000 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.

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$152,941 for the year ended June 30, 2020.

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:

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

- 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.
- 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 market value at the time of the gift. If no value is provided, the Foundation estimates the fair market 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 \$4,277 for the year ended June 30, 2020.

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 11, 2021, the date these 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, 2020:

Cash and cash equivalents	\$ 1,077,608
Promises to give, receivable in less than one year	273,205
Investments	<u>17,042,630</u>
	18,393,443

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Less financial assets with restrictions	
Board-designated investments	\$ 399,224
Promises to give, time or purpose restricted	1,652,977
Investments with purpose restrictions	4,434,455
Financial assets to be held in perpetuity	<u>10,733,506</u>
	<u>17,220,162</u>
Total Financial Assets Available for General Use	\$ <u>1,173,281</u>

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, 2020:

Receivable in less than one year	\$ 273,205
Receivable in one to five years	926,825
Receivable over five years	<u>504,000</u>
	1,704,030
Less allowance for uncollectable promises to give	24,538
Less discount to present value	<u>5,140</u>
Promises to Give, net	\$ <u>1,674,352</u>

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - INVESTMENTS

Investments are classified as follows for June 30, 2020:

Without donor restriction	\$ 1,874,669
With donor restriction	<u>15,167,961</u>
	<u>\$ 17,042,630</u>

Net investment income is comprised of the following at June 30, 2020:

Unrealized and realized gains	\$ 116,442
Dividends, interest and capital gains	467,204
Investment fees	<u>(71,967)</u>
	<u>\$ 511,679</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, 2020 are as follows:

	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Bond mutual funds	\$ 7,219,713	\$ 7,219,713		
Equity mutual funds	9,786,621	9,786,621		
Alternative investment funds	<u>36,296</u>	<u>36,296</u>		
Total Investments	<u>\$ 17,042,630</u>	<u>\$ 17,042,630</u>	<u>\$</u>	<u>\$</u>

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$27,958, net of accumulated depreciation of \$51,022 as of June 30, 2020.

NOTE 8 - CHARITABLE GIFT ANNUITIES

The Foundation has entered into charitable gift annuity agreements whereby the donor contributes assets in exchange for distributions over a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Foundation's use. Assets received are recorded at fair value on the date the agreement is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the Foundation revalues the liability based on applicable mortality tables and a discount rate of 2.41%. The actuarially-estimated liability (\$4,327 at June 30, 2020) is required by the State of Washington to be held in reserve and has been invested in cash funds and government securities. The Foundation estimated the actual net gift annuity liability to be \$2,216 as of June 30, 2020.

NOTE 9 - 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 LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - ENDOWMENT FUNDS (Continued)

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:

- 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.

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, 2020:

	Without Donor Restriction Board- Designated	<u>With Donor Restriction</u>		Total
		<u>For Time or Purpose</u>	<u>For Perpetual Duration</u>	
Cash and cash equivalents	\$ 372,045			\$ 372,045
Investments	<u>27,179</u>	\$ <u>2,593,096</u>	\$ <u>10,733,506</u>	<u>13,353,781</u>
	\$ <u>399,224</u>	\$ <u>2,593,096</u>	\$ <u>10,733,506</u>	\$ <u>13,725,826</u>

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - ENDOWMENT FUNDS (Continued)

Changes in endowment funds for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions - Board- Designated	With Donor Restrictions		
		For Time or Purpose	For Perpetual Duration	Total
Endowment Net Assets at Beginning of Year 2019	\$ 439,224	\$ 2,962,967	\$ 9,409,846	\$ 12,812,037
Net investment income		402,586		402,586
Contributions		1,700	827,660	829,360
Distributions per spending policy		(187,705)		(187,705)
Board approved distributions		(130,452)		(130,452)
Net assets released, designated or transferred	(40,000)	(456,000)	496,000	
Endowment Net Assets at End of Year 2020	\$ 399,224	\$ 2,593,096	\$ 10,733,506	\$ 13,725,826

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. During 2020, funds with an original gift amount totaling \$578,026, experienced a decline in values of \$4,857, due to a decrease in market conditions in the second quarter. The fair value as of June 30, 2020 totaled \$573,169.

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - 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.

NOTE 10 - NET ASSETS

Net assets with donor restrictions as of June 30, 2020, consisted of the following:

	Restricted For Time or Purpose	Restricted in Perpetuity	Total
Student services	\$ 1,528,764	\$ 6,522,479	\$ 8,051,243
Exceptional faculty award	853,285	650,825	1,504,110
Instruction	946,413	3,907,452	4,853,865
Facilities	290,578		290,578
Resource development	655,860	270,000	925,860
Campaign	<u>1,195,282</u>		<u>1,195,282</u>
Total Net Assets	\$ <u>5,470,182</u>	\$ <u>11,350,756</u>	\$ <u>16,820,938</u>

NOTE 11 - 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:

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

THE LOWER COLUMBIA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RELATED PARTY TRANSACTIONS

The Foundation owed the College \$61,512 as of June 30, 2020. The majority of the amount due is related to program support.

During the year ended June 30, 2020, the Foundation provided \$596,132 to the College for student scholarships and grants, and \$237,434 for other College program supports.

The Foundation receives contributed support under a support services agreement with the College. During the year ended June 30, 2020, the College provided \$134,214 to the Foundation under the support services agreement which is included in revenues and support and expenses in the accompanying statements of activities and changes in net assets.

During the year ended June 30, 2020, the Foundation received \$71,721 in cash contributions and in-kind support from Foundation board members and related entities.

NOTE 13 - RISKS AND UNCERTAINTIES

As of June 30, 2020, the world was in the midst of the COVID-19 pandemic. The Foundation was negatively affected by the effects of the pandemic as of the date of the statement of financial position. Significant uncertainty remains regarding the wide ranging effects of the pandemic subsequent to year-end. The Foundation is closely monitoring its operations, liquidity, capital and financial resources, and is actively working to minimize the current and future effects of this unprecedented situation. As of the date of issuance of these financial statements, the full impact of the pandemic to the Foundation's financial position or operations is not known.

NOTE 14 - 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.