

**WENATCHEE VALLEY COLLEGE
FOUNDATION, INC.**

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Finance Committee
Wenatchee Valley College Foundation, Inc.
Wenatchee, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Wenatchee Valley College Foundation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wenatchee Valley College Foundation as of June 30, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20-21 are presented for purposes of additional analysis and is not a required part of the above financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zundia & Gaetz, P.S.

Wenatchee, Washington
January 15, 2019

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Financial Position
As of June 30, 2018

	Current Funds	Program Funds	Endowment Funds	Total
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ (105,562)	\$ 199,593	\$ 55,882	\$ 149,913
Pledges and other receivables:				
Pledges and other receivables, net	519,034	54,909	-	573,943
Other receivables - related party	792	-	-	792
Total pledges and other receivables - net	519,826	54,909	-	574,735
Total Current Assets	414,264	254,502	55,882	724,648
Non-Current Assets				
Pledges receivable, long term, net	-	70,009	-	70,009
Investments at fair value	1,195,903	1,364,228	8,691,059	11,251,190
Total Assets	\$ 1,610,167	\$ 1,688,739	\$ 8,746,941	\$ 12,045,847
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 24,643	\$ -	\$ 1,000	\$ 25,643
Accounts payable and accrued liabilities - related party	29,582	164,115	-	193,697
Scholarships and awards payable - related party	500	77,997	218,500	296,997
Total Current Liabilities	54,725	242,112	219,500	516,337
Net Assets				
Unrestricted	1,555,442	-	-	1,555,442
Temporarily restricted	-	1,446,627	2,410,844	3,857,471
Permanently restricted	-	-	6,116,597	6,116,597
Total Net Assets	1,555,442	1,446,627	8,527,441	11,529,510
Total Liabilities and Net Assets	\$ 1,610,167	\$ 1,688,739	\$ 8,746,941	\$ 12,045,847

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2017

<u>ASSETS</u>	Current Funds	Program Funds	Endowment Funds	Total
Current Assets				
Cash and cash equivalents	\$ 17,949	\$ 159,626	\$ (15,956)	\$ 161,619
Pledges and other receivables - net:				
Pledges and other receivables	11,394	81,337	-	92,731
Other receivables - related party	-	6,870	-	6,870
	<u>11,394</u>	<u>88,207</u>	<u>-</u>	<u>99,601</u>
Total pledges and other receivables - net				
	11,394	88,207	-	99,601
Total Current Assets	29,343	247,833	(15,956)	261,220
Non-Current Assets				
Investments at fair value	1,116,939	615,722	8,450,400	10,183,061
Total Assets	<u>\$ 1,146,282</u>	<u>\$ 863,555</u>	<u>\$ 8,434,444</u>	<u>\$ 10,444,281</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 20,000	\$ -	\$ -	\$ 20,000
Accounts payable and accrued liabilities - related party	18,459	179,490	-	197,949
Scholarships and awards payable - related party	166	108,379	245,661	354,206
	<u>38,625</u>	<u>287,869</u>	<u>245,661</u>	<u>572,155</u>
Total Current Liabilities				
	38,625	287,869	245,661	572,155
Net Assets				
Unrestricted	1,107,657	-	-	1,107,657
Temporarily restricted	-	575,686	2,318,004	2,893,690
Permanently restricted	-	-	5,870,779	5,870,779
	<u>1,107,657</u>	<u>575,686</u>	<u>8,188,783</u>	<u>9,872,126</u>
Total Net Assets				
	1,107,657	575,686	8,188,783	9,872,126
Total Liabilities and Net Assets	<u>\$ 1,146,282</u>	<u>\$ 863,555</u>	<u>\$ 8,434,444</u>	<u>\$ 10,444,281</u>

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Activities

For The Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public Support -				
Gifts, contributions, and other grants - unrestricted	\$ 597,907	\$ -	\$ -	\$ 597,907
Gifts, contributions, and other grants - restricted	-	1,287,471	134,492	1,421,963
In-kind contributions-related party	218,165	-	-	218,165
In-kind contributions	4,089	44,002	-	48,091
Revenue -				
Interest and dividends	23,437	12,044	164,217	199,698
Unrealized gains on investments	32,681	20,765	243,630	297,076
Realized gains on investments	54,509	28,589	397,436	480,534
Management fees	140,561	-	-	140,561
Program income, events net of direct costs, and other income	63,234	-	-	63,234
Net assets released from restrictions:				
Satisfaction of program restrictions	1,123,047	(1,123,047)	-	-
Satisfaction of donor restrictions and reclassifications	-	693,957	(693,957)	-
Total Public Support and Revenue	2,257,630	963,781	245,818	3,467,229
EXPENSES				
Management and general	168,669	-	-	168,669
Programs	826,553	-	-	826,553
Scholarships - related party	367,698	-	-	367,698
Fundraising	2,122	-	-	2,122
Gifts, grants and awards - related party	444,803	-	-	444,803
Total Expenses	1,809,845	-	-	1,809,845
Change in Net Assets	447,785	963,781	245,818	1,657,384
Net assets - Beginning of Year	1,107,657	2,893,690	5,870,779	9,872,126
Net Assets - End of Year	\$ 1,555,442	\$ 3,857,471	\$ 6,116,597	\$ 11,529,510

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Activities

For The Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public Support -				
Gifts, contributions, and other grants - unrestricted	\$ 65,531	\$ -	\$ -	\$ 65,531
Gifts, contributions, and other grants - restricted	1,288	272,448	73,930	347,666
In-kind contributions-related party	125,232	-	-	125,232
In-kind contributions	14,707	23,025	-	37,732
Revenue -				
Interest and dividends	18,736	9,730	120,749	149,215
Unrealized gains on investments	104,060	62,213	777,626	943,899
Realized gains on investments	26,348	16,342	195,975	238,665
Management fees	129,948	-	-	129,948
Program income, events net of direct costs, and other income	77,096	70,507	37,680	185,283
Net assets released from restrictions:				
Satisfaction of program restrictions	-	1,006,067	(1,006,067)	-
Satisfaction of donor restrictions and reclassifications	1,111,383	(1,111,383)	-	-
Total Public Support and Revenue	1,674,329	348,949	199,893	2,223,171
EXPENSES				
Management and general	119,502	-	-	119,502
Programs	884,107	-	-	884,107
Scholarships - related party	265,738	-	-	265,738
Fundraising	1,633	-	-	1,633
Gifts, grants and awards - related party	327,864	-	-	327,864
Total Expenses	1,598,844	-	-	1,598,844
Change in Net Assets	75,485	348,949	199,893	624,327
Net assets - Beginning of Year	1,032,172	2,544,741	5,670,886	9,247,799
Net Assets - End of Year	\$ 1,107,657	\$ 2,893,690	\$ 5,870,779	\$ 9,872,126

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

For The Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,657,384	\$ 624,327
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
In-kind contributions	(266,256)	(152,964)
In-kind expenses	266,256	152,964
Net gain on sale of investments	(480,533)	(238,665)
Net unrealized gain on investments	(297,076)	(943,899)
Increase in pledges and other receivables, net	(545,143)	(85,286)
Decrease in other current asset	-	12,397
Increase in accounts payable and accrued liabilities	1,391	191,996
Decrease in scholarships and awards payable	(57,209)	(14,732)
	<u>278,814</u>	<u>(453,862)</u>
Net cash provided (used) by operating activities	278,814	(453,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long term certificate of deposit	(811,501)	-
Net change from investment accounts	520,981	164,983
	<u>(290,520)</u>	<u>164,983</u>
Net (used) cash provided by investing activities	(290,520)	164,983
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	845,036
Principal payments on note payable	-	(845,036)
	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	-	-
Net Change in Cash	(11,706)	(288,879)
Cash - Beginning of Year	161,619	450,498
Cash - End of Year	\$ 149,913	\$ 161,619

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

ORGANIZATION AND NATURE OF ACTIVITIES

The Wenatchee Valley College Foundation, Inc. (the Foundation) is a non-profit corporation founded in 1971 for the exclusive purpose of encouraging, promoting, and supporting educational programs, scholarly programs, and scholarly pursuits in connection with the Wenatchee Valley College (the College) located in Wenatchee, Washington. The Foundation receives its support primarily from contributions and gifts.

The Foundation provides supplemental funding for the Wenatchee Valley College, its programs, and students through scholarships and other financial support. The Wenatchee Valley College, through its campus in Wenatchee and community out-reach programs in other communities, serves the citizens of Chelan, Douglas and Okanogan counties. Wenatchee Valley College is considered a related party to the Foundation based on their relationship.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements presented herein have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles for not-for-profit organizations. Under such guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets. The Foundation's net assets are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The use of these funds is determined by the Board of Directors.

Temporarily Restricted - Net assets that are subject to donor-imposed stipulations that may or will be met either by action of the Foundation and/or the passage of time are classified as temporarily restricted net assets. When a donor restriction expires, a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted or permanently restricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted assets are made up of program funds.

Permanently Restricted - Net assets that are required by donor-imposed stipulations to be maintained permanently by the Foundation are classified as permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to use estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income generated by activities that would be considered unrelated to the Foundation's exempt purpose would be subject to unrelated business income tax (UBIT). Management attests that the foundation did not engage in unrelated business activities during the years ending June 30, 2018 and 2017. Therefore, no provision for UBIT tax has been recorded.

The most significant tax positions of the Foundation are its assertions that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Generally, the Foundation's tax returns for the past three years are subject to examination by the tax authorities, and may change upon examination.

Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents with brokers or in investment pools are considered to be investments and are reported as such. Cash equivalents for the year ending June 30, 2018 consisted of two money market accounts which totaled \$47,511. Cash equivalents totaled \$46,007 for the year ending June 30, 2017, this balance consisted of one money market account.

Investments

As of June 30, 2018, the Foundation's investment portfolio is managed by the Community Foundation of North Central Washington as part of its total "pooled portfolio". The investments are managed by the Community Foundation of North Central Washington in accordance with the guidelines established by the Investment Committee of the Board of Directors. The Investment Committee has established and communicated to the Community Foundation of North Central Washington, policies relating to the nature of permitted investment instruments, diversification, and the use of derivatives.

All long-term investments have been reported in the financial statements at their current market value as reported by the Community Foundation of North Central Washington. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the market value of such investments has been included in the statements of activities in the appropriate net asset classification.

Management is not aware of any derivative financial instruments through the investment management strategy employed by the Community Foundation of North Central Washington and its investment advisors and any mutual funds held in the pooled investment balances.

Advertising Costs

Advertising costs are expensed in the year incurred and totaled \$1,380 and \$2,389 for the years ended June 30, 2018 and 2017, respectively.

Functional Expenses

The cost of providing various programs and related supporting services have been allocated to the appropriate programs and services in the Statements of Activities.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation chooses to show restricted contributions whose restrictions are met in the same reporting period as restricted contributions and a reclassification.

Unconditional promises to give expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Conditional promises to give are not recognized in revenue until such time as the conditions are substantially met.

Property and Equipment

Property and equipment are capitalized at cost, if purchased or constructed by the Foundation, or at the fair market value at the date contributed, if donated. Depreciation is provided using the straight-line method over estimated useful lives ranging from twelve to forty years. Amounts paid for repairs that do not significantly increase the useful life of the related asset are expensed as incurred.

Reclassifications

Certain reclassifications have been made to the 2017 audited financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Contributed Services

The Foundation has individuals who volunteer their time and perform a variety of tasks that assist the Foundation in meeting its goals and mission. Contribution of services received are required to be recorded if such services: (a) create or enhance nonfinancial assets (b) required specialized skills (c) are provided by individuals possessing those skills and (d) would typically need to be purchased if not contributed.

During the years ended June 30, 2018 and 2017, the fair value of many of these services have not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles or they were not deemed material.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2018 and 2017

INVESTMENTS

Financial Accounting Standards Board Accounting Standards Codification 820-10-50, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets for liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10-50 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">- <i>Quoted prices for similar assets or liabilities in active markets;</i>- <i>Quoted prices for identical or similar assets or liabilities in inactive markets;</i>- <i>Inputs other than quoted prices that are observable for the asset or liability;</i>- <i>Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</i> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

Most investments in marketable and debt securities reported in the statements of financial position are valued at the closing price reported on the active market on which the individual security is traded (Level 1).

The Foundation records purchased securities at quoted market value and contributed securities at their fair value on the date of receipt. Other contributed assets are recorded at appraised value at the time of donation. Unrealized gains and losses are reflected in the statements of activities.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the statement of financial position.

The Foundation's investments are held at the Community Foundation of North Central Washington. The Community Foundation of North Central Washington invests the Foundation's funds with other funds under its management on a pooled basis. The income from such investments and the realized and unrealized gains and losses on the investments are allocated to the participating funds based on book value of the fund groups. Participation units in the investment funds are determined monthly based on the fair value of investments at the calculation date.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

INVESTMENTS (CONTINUED)

Investments stated at fair value are comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Government and corporate bonds	\$ 3,934,399	\$ 3,118,425
Cash and cash equivalents	880,863	219,162
Common stocks	<u>6,435,928</u>	<u>6,845,474</u>
Total investments	<u>\$ 11,251,190</u>	<u>\$ 10,183,061</u>

The cost of investments and unrealized gain approximated \$8,585,991 and \$2,665,199 respectively for the year ended June 30, 2018. The cost of investments and unrealized gain approximated \$7,814,938 and \$2,368,123 respectively at June 30, 2017.

Investment income is summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 199,698	\$ 149,215
Net realized gains	480,534	238,665
Net unrealized gain	297,076	943,899
Investment expenses	<u>(265,810)</u>	<u>(253,285)</u>
Investment income, net	<u>\$ 711,497</u>	<u>\$ 1,078,494</u>

The Foundation charges an annual administrative fee of 1.35% of the market value of the various funds and endowments under its control. The fee is charged monthly and is reflected as an administrative fee expenses to the various funds and as unrestricted support to the operating fund. Total fees assessed were \$140,561 and \$129,948 for fiscal years ended June 30, 2018 and 2017, respectively.

All funds are invested in accordance with the Foundation's investment policy.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

FAIR VALUE MEASUREMENTS

	Fair Value Measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Separate Accounts:				
Money Market Accounts	\$ 47,511	\$ -	\$ -	\$ 47,511
Certificate of Deposit	-	812,212	-	812,212
Total Separate Accounts:	47,511	812,212	-	859,723
Pooled Investments:				
Cash Equivalents				
Money Market	68,651	-	-	68,651
Total Cash Equivalents	68,651	-	-	68,651
Equity Investments				
Mutual Fund Value	480,245	-	-	480,245
Mutual Fund Growth	3,325,644	-	-	3,325,644
Mutual Fund Market Index	2,630,040	-	-	2,630,040
Mutual Fund Inflation Protection	424,950	-	-	424,950
Mutual Fund Bonds	1,287,255	-	-	1,287,255
Mutual Fund Income	2,222,193	-	-	2,222,193
Total Equity Investments	10,370,327	-	-	10,370,327
Total Pooled Investments	10,438,978	-	-	10,438,978
Total Fair Value Measurement:	\$ 10,486,489	\$ 812,212	\$ -	\$ 11,298,701

	Fair Value Measurements at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Separate Accounts:				
Money Market Account	\$ 46,007	\$ -	\$ -	\$ 46,007
Total Separate Accounts:	46,007	-	-	46,007
Pooled Investments:				
Cash Equivalents				
Money Market	219,162	-	-	219,162
Total Cash Equivalents	219,162	-	-	219,162
Equity Investments				
Mutual Fund Value	1,254,661	-	-	1,254,661
Mutual Fund Growth	2,550,289	-	-	2,550,289
Mutual Fund Market Index	2,597,141	-	-	2,597,141
Mutual Fund Inflation Protection	443,397	-	-	443,397
Mutual Fund Bonds	1,214,428	-	-	1,214,428
Mutual Fund Income	1,903,983	-	-	1,903,983
Total Equity Investments	9,963,899	-	-	9,963,899
Total Pooled Investments	10,183,061	-	-	10,183,061
Total Fair Value Measurement:	\$ 10,229,068	\$ -	\$ -	\$ 10,229,068

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

CONCENTRATIONS

Operating costs of the Foundation are paid for through the assessment of management fees on investments and unrestricted donations. Continued operation of the Foundation is highly dependent on unrestricted funds and the generation of unrestricted donations.

Cash balances at any one financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the fiscal year, the Foundation's cash in bank balances may exceed the federally insured limits. The entire balances as of June 30, 2018 and 2017 were insured. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

PLEDGES AND OTHER RECEIVABLES - NET

	<u>2018</u>	<u>2017</u>
Pledges and other receivables consisted of the following at June 30:		
Pledges to give -		
Receivable in less than one year	\$ 49,000	\$ 23,000
Receivable in one to five years	<u>74,000</u>	<u>69,000</u>
Total pledges to give	123,000	92,000
Less discount to net present value (5% rate)	<u>(8,182)</u>	<u>(10,663)</u>
Net pledges to give	114,818	81,337
Long term portion of pledges to give	<u>(70,009)</u>	<u>-</u>
Current portion of pledges to give	44,809	81,337
Other receivables -		
Administrative fee	11,822	11,394
Distribution from the Kathleen Arneil Trust Estate	498,374	-
Other receivables	18,938	-
Other receivables - related party	<u>792</u>	<u>6,870</u>
Total pledges and other receivables, current, net	<u>\$ 574,735</u>	<u>\$ 99,601</u>
Total pledges and other receivables, long term, net	<u>\$ 70,009</u>	<u>\$ -</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

PLEDGES AND OTHER RECEIVABLES - NET (CONTINUED)

Management has determined that all pledges as of June 30, 2018 will be collected, as such, no allowance for uncollectible pledges has been recorded. There were no pledges from Foundation board members and trustees for the periods ending June 30, 2018 and 2017.

On May 9, 2018, the Foundation received a notification from the Estate of Kathleen Arneil which named the Foundation as a beneficiary, the estimated distribution to be received is \$498,374. Since the distribution was not received by fiscal year ending June 30, 2018, this amount was recorded as a receivable. Management has indicated that these funds are expected to be received within one year. As such, this receivable is being reported as a current.

ENDOWMENTS

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

On May 11, 2009, the Governor of the State of Washington signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminates the historic dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds, and amends the provisions governing the release and modification of restrictions on charitable funds.

Interpretation of relevant law:

For donor-restricted endowment funds, the Board of Trustees of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 in permanently restricted net assets is classified as temporarily restricted net assets 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 consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Foundation.
- (7) The investment policies of the Foundation.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

ENDOWMENTS (CONTINUED)

Endowment assets by fund consist of the following as of: **June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 2,334,204	\$ 6,116,597	\$ 8,450,801
Board-designated funds	-	76,640	-	76,640
	<u>\$ -</u>	<u>\$ 2,410,844</u>	<u>\$ 6,116,597</u>	<u>\$ 8,527,441</u>

Changes in endowment net assets as of: **June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,318,004	\$ 5,870,779	\$ 8,188,783
Investment return:				
Interest and dividends	-	46,485	117,732	164,217
Net gain - realized and unrealized	-	181,467	459,599	641,066
Investment expenses	-	(62,373)	(157,971)	(220,344)
Total investment return	-	165,579	419,360	584,939
Gifts, contributions, and other support Program and other income	-	-	134,492	134,492
Reclassifications and appropriations	-	(72,739)	(308,034)	(380,773)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,410,844</u>	<u>\$ 6,116,597</u>	<u>\$ 8,527,441</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

ENDOWMENTS (CONTINUED)

Endowment assets by fund consist of the following as of: **June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 2,110,006	\$ 5,870,779	\$ 7,980,785
Board-designated funds	-	207,998	-	207,998
	<u>\$ -</u>	<u>\$ 2,318,004</u>	<u>\$ 5,870,779</u>	<u>\$ 8,188,783</u>

Changes in endowment net assets as of: **June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,658,321	\$ 5,670,886	\$ 7,329,207
Investment return:				
Interest and dividends	-	27,321	93,428	120,749
Net loss - realized and unrealized	-	220,289	753,312	973,601
Investment expenses	-	(47,186)	(161,358)	(208,544)
Total investment return	-	200,424	685,382	885,806
Gifts, contributions, and other support	-	-	73,930	73,930
Program and other income	-	-	37,680	37,680
Reclassifications and appropriations	-	459,259	(597,099)	(137,840)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,318,004</u>	<u>\$ 5,870,779</u>	<u>\$ 8,188,783</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

ENDOWMENTS (CONTINUED)

Funds with deficiencies:

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. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies for years ending June 30, 2018 and 2017.

RELATED PARTY TRANSACTIONS

The following related party transactions occurred between the Foundation and Wenatchee Valley College (College) during the years ending June 30, 2018 and 2017:

In-Kind Contributions

The Foundation received a total of \$218,165 and \$125,232 of in-kind contributions from the College during the years ending June 30, 2018 and 2017, respectively. These contributions consist of salaries, payroll taxes, goods, services, office space, and other miscellaneous items.

Unrecorded College Ask

During the fiscal year ending June 30, 2018, the Foundation approved the College's request for equipment purchases in the amount of \$318,250. The Foundation informed the College that these purchases can happen after the year ending June 30, 2018. The total amount unspent of the original request was \$127,507 as of June 30, 2018. Management expects the remaining amount to be spent in the fiscal year ending June 30, 2019. The remaining amount has not been accrued as of June 30, 2018 as the cost have not been incurred, this treatment is in compliance with the basis of accounting used by the Foundation.

Scholarships, Gifts, Grants, and Awards

The Foundation provides supplemental funding for the College, its programs, and students through scholarships and other financial support. The Foundation has liabilities recorded for scholarships and awards payable to the College as of June 30, 2018 and 2017 in the amount of \$296,997 and \$354,206, respectively. Total funding provided by the Foundation to the College in the form of programs, scholarships, awards and gifts totaled \$812,501 and \$593,602 for the years ending June 30, 2018 and 2017, respectively.

Compensation and Related Costs

The College employed all the Foundation's staff for the years ending June 30, 2018 and 2017. For the current year ending, the Foundation reimbursed the College employment costs for some employees as other employees costs were donated by the College. The donated costs have been properly reflected as in-kind contributions in these financial statements. Compensation and related costs totaled \$384,693 and \$240,220 for the years ending June 30, 2018 and 2017, respectively.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2018 and 2017

RELATED PARTY TRANSACTIONS (CONTINUED)

Receivables

Related party receivables consist of funds payable back to the Foundation by the College for program expenses that were over paid. These balances were \$792 and \$6,870 as of June 30, 2018 and 2017, respectively.

Accounts Payable and Accrued Liabilities

Balances in these accounts represent payables to the College for compensation, purchases of equipment, and other college related program costs. The totals as of June 30, 2018 and 2017, were \$193,697 and \$197,949, respectively. In addition, an amount of \$32,700 which is included in the June 30, 2018 payable, is due to the Wenatchee Valley College Omak Campus. As the campus in Omak is considered an extension of the Wenatchee campus, this would be considered a related party transactions as well.

IN-KIND CONTRIBUTIONS

Donated goods and facilities are valued at their fair value on the date of donation. Donated services are recognized in the financial statements at their fair value if both of the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

The Foundation received total in-kind contributions of \$266,255 and \$162,964 for the years ending June 30, 2018 and June 30, 2017, respectively.

SPECIAL EVENTS

The Foundation holds various special events to raise funds to help support their operations and activities. Fundraising income totaled \$104,061 and \$7,154 with related direct expenses of \$57,715 and \$5,407 for the years ending June 30, 2018 and 2017, respectively.

SUBSEQUENT EVENTS

On August 29, 2018, the Foundation entered into a contract with Betheny Reid Consulting to conduct a campaign feasibility study regarding the potential Wells Hall project. The fees for the scope of work is expected to be at least \$20,000 plus expenses, the length of the contract was not disclosed but most likely it will be less than one year.

Management has evaluated subsequent events through January 15, 2019 the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Schedule I - Schedule of Activities by Fund

For The Year Ended June 30, 2018

PUBLIC SUPPORT AND REVENUE	Current Funds	Program Funds	Endowment Funds	Total
Public Support -				
Gifts, contributions, and other grants - unrestricted	\$ 597,907	\$ -	\$ -	\$ 597,907
Gifts, contributions, and other grants - restricted	-	1,287,471	134,492	1,421,963
In-kind contributions-related party	218,165	-	-	218,165
In-kind contributions	4,089	44,002	-	48,091
Revenue -				
Interest and dividends	23,437	12,044	164,217	199,698
Unrealized gain on investments	32,681	20,765	243,630	297,076
Realized gain on investments	54,509	28,589	397,436	480,534
Management fees	140,561	-	-	140,561
Program income, events net of direct costs, and other income	63,234	-	-	63,234
Total Public Support and Revenue	1,134,583	1,392,871	939,775	3,467,229
EXPENSES				
Compensation and related costs	384,693	-	-	384,693
Insurance	2,750	-	-	2,750
Legal and accounting	35,899	-	-	35,899
Investment Expense	4,884	2,535	35,960	43,379
Advertising	1,380	-	-	1,380
Alumni relations	4,757	-	-	4,757
Administration Fee	25,027	13,020	184,384	222,431
Travel, meals, and entertainment	10,991	-	-	10,991
Office and general	39,661	-	-	39,661
General program expenses	11,072	224,714	-	235,786
Gifts, grants and awards - related party	122,313	249,317	7,154	378,784
In-kind gifts - related party	22,017	44,002	-	66,019
Recognition	1,332	-	-	1,332
Education, conferences, training	14,285	-	-	14,285
Scholarships awarded - related party	-	150,097	217,601	367,698
Total Expenses	681,061	683,685	445,099	1,809,845
Change in Net Assets	<u>\$ 453,522</u>	<u>\$ 709,186</u>	<u>\$ 494,676</u>	<u>\$ 1,657,384</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Schedule I - Schedule of Activities by Fund
For The Year Ended June 30, 2017

PUBLIC SUPPORT AND REVENUE	Current Funds	Program Funds	Endowment Funds	Total
Public Support -				
Gifts, contributions, and other grants - unrestricted	\$ 66,819	\$ -	\$ -	\$ 66,819
Gifts, contributions, and other grants - restricted	-	272,448	73,930	346,378
In-kind contributions-related party	125,232	-	-	125,232
In-kind contributions	14,707	23,025	-	37,732
Revenue -				
Interest and dividends	18,736	9,730	120,749	149,215
Unrealized gain on investments	104,060	62,213	777,626	943,899
Realized gain on investments	26,348	16,342	195,975	238,665
Management fees	129,948	-	-	129,948
Program income, events net of direct costs, and other income	77,096	70,507	37,680	185,283
Total Public Support and Revenue	562,946	454,265	1,205,960	2,223,171
EXPENSES				
Compensation and related costs	180,816	59,404	-	240,220
Insurance	2,750	-	-	2,750
Legal and accounting	37,746	-	-	37,746
Investment Expense	5,159	3,131	38,665	46,955
Advertising	2,389	-	-	2,389
Alumni relations	5,916	-	-	5,916
Administration Fee	22,722	13,729	169,879	206,330
Travel, meals, and entertainment	14,909	-	-	14,909
Office and general	46,933	-	-	46,933
General program expenses	78,221	281,807	32,445	392,473
Gifts, grants and awards - related party	59,134	215,000	-	274,134
In-kind gifts - related party	20,247	33,483	-	53,730
Recognition	5,338	3,000	(310)	8,028
Education, conferences, training	593	-	-	593
Scholarships awarded - related party	500	114,467	150,771	265,738
Total Expenses	483,373	724,021	391,450	1,598,844
Change in Net Assets	<u>\$ 79,573</u>	<u>\$ (269,756)</u>	<u>\$ 814,510</u>	<u>\$ 624,327</u>