

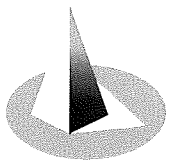
**WENATCHEE VALLEY COLLEGE
FOUNDATION, INC.**

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2017 With Comparative 2016 Totals

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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, 2017, and the related statements of activities 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 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Wenatchee Valley College Foundation's June 30, 2016 financial statements, and our report dated March 1, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 page 19 is 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.

Zender & Gaetz, P.S.

Wenatchee, Washington
August 21, 2018

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Financial Position
 As of June 30, 2017
 With Comparative Totals As of June 30, 2016

	Current Funds	Program Funds	Endowment Funds	Total of All Funds	
				2017	2016
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 41,989	\$ 172,878	\$ 165,914	\$ 380,781	\$ 450,498
Other current asset	-	-	-	-	12,397
Pledges and other receivables - net:					
Pledges and other receivables	11,394	81,337	-	92,731	14,316
Other receivables - related party	-	6,870	-	6,870	-
Total pledges and other receivables - net	11,394	88,207	-	99,601	14,316
Total Current Assets	53,383	261,085	165,914	480,382	477,211
Non-Current Assets					
Investments at fair value	1,092,899	602,470	8,268,530	9,963,899	9,165,479
Total Assets	<u>\$ 1,146,282</u>	<u>\$ 863,555</u>	<u>\$ 8,434,444</u>	<u>\$ 10,444,281</u>	<u>\$ 9,642,690</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 12,194
Accounts payable and accrued liabilities - related party	18,459	179,490	-	197,949	13,759
Scholarships and awards payable - related party	166	108,379	245,661	354,206	368,938
Total Current Liabilities	38,625	287,869	245,661	572,155	394,891
Net Assets					
Unrestricted	1,107,657	-	-	1,107,657	1,032,172
Temporarily restricted	-	575,686	2,318,004	2,893,690	2,544,741
Permanently restricted	-	-	5,870,779	5,870,779	5,670,886
Total Net Assets	1,107,657	575,686	8,188,783	9,872,126	9,247,799
Total Liabilities and Net Assets	<u>\$ 1,146,282</u>	<u>\$ 863,555</u>	<u>\$ 8,434,444</u>	<u>\$ 10,444,281</u>	<u>\$ 9,642,690</u>

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Activities
 For The Year Ended June 30, 2017
 With Comparative Totals For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
PUBLIC SUPPORT AND REVENUE					
Public Support -					
Gifts, contributions, and other grants - unrestricted	\$ 65,531	\$ -	\$ -	\$ 65,531	\$ 56,210
Gifts, contributions, and other grants - restricted	-	199,634	8,525	208,159	1,595,843
Scholarships	1,288	72,814	65,405	139,507	145,327
In-kind contributions-related party	125,232	-	-	125,232	174,424
In-kind contributions	14,707	23,025	-	37,732	62,542
Revenue -					
Interest and dividends	18,736	9,730	120,749	149,215	127,577
Unrealized gain (loss) on investments	104,060	62,213	777,626	943,899	(380,289)
Realized gains on investments	26,348	16,342	195,975	238,665	275,412
Management fees	129,948	-	-	129,948	113,917
Rental income - related party	-	-	-	-	1,500
Program income, events net of direct costs, and other income	77,096	70,507	37,680	185,283	151,876
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	2,324,339
EXPENSES					
Management and general Programs	119,502	-	-	119,502	114,664
Scholarships - related party	876,078	-	-	876,078	809,614
Fundraising	265,738	-	-	265,738	220,216
Gifts, grants and awards - related party	1,633	-	-	1,633	1,458
	335,893	-	-	335,893	326,254
Total Expenses	1,598,844	-	-	1,598,844	1,472,206
Change in Net Assets	75,485	348,949	199,893	624,327	852,133
Net assets - Beginning of Year	1,032,172	2,544,741	5,670,886	9,247,799	8,395,666
Net Assets - End of Year	\$ 1,107,657	\$ 2,893,690	\$ 5,870,779	\$ 9,872,126	\$ 9,247,799

See independent auditor's report and accompanying notes.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

For The Year Ended June 30, 2017

With Comparative Totals For The Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors, supporters, and programs	\$ 467,305	\$ 1,887,991
Cash payments for suppliers, programs, and employees	(1,091,912)	(930,805)
Cash payments for scholarships and awards	(166,583)	(232,091)
Investment income, net	149,215	127,577
Other receipts	188,113	180,502
	<u>(453,862)</u>	<u>1,033,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change from investment account	384,145	(1,116,912)
	<u>384,145</u>	<u>(1,116,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	845,036	-
Principal payments on note payable	(845,036)	-
	<u>-</u>	<u>-</u>
Net Change in Cash	(69,717)	(83,738)
Cash - Beginning of Year	450,498	534,236
Cash - End of Year	\$ 380,781	\$ 450,498

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 624,327	\$ 852,133
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net realized gain on sale of investments	(238,665)	(275,412)
Net unrealized (gain) loss on investments	(943,900)	380,288
Land gifted to College	-	58,781
(Increase) decrease in assets -		
Pledges and other receivables - net	(85,285)	(1,149)
Other current asset	12,397	(6,797)
Increase (decrease) in liabilities -		
Accounts payable and accrued liabilities	191,996	(63,182)
Scholarships and awards payable	(14,732)	88,512
Net cash (used) provided by operating activities	<u>\$ (453,862)</u>	<u>\$ 1,033,174</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2017 and 2016

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.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016. 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

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash Equivalents consisted of money market funds held in the investment account with balances of \$219,161 and money market account at Cashmere Valley Bank \$46,007 for the year ending June 30, 2017. Cash Equivalents held at Cashmere Valley Bank totaled \$247,016 at June 30, 2016. Cash Equivalents reported under fair value hierarchy as level 1. See fair value measurements footnote.

Investments

As of June 30, 2017, 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 \$2,389 and \$6,869 for the years ended June 30, 2017 and 2016, respectively.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

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.

Other Current Asset

This account balance consist of assets donated to the Foundation that will either be sold or transferred to the Wenatchee Valley College within the subsequent year.

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.

Functional Allocation of 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.

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 2016 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.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

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:

<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. |

All 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, 2017 and 2016

INVESTMENTS (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
Government and corporate bonds	\$ 3,118,425	\$ 3,744,922
Common Stocks	<u>6,845,474</u>	<u>5,420,557</u>
Total investments:	<u>\$ 9,963,899</u>	<u>\$ 9,165,479</u>

The cost of investments and unrealized gain approximated \$7,592,149 and \$2,371,750 respectively for the year ended June 30, 2017. The cost of investments and unrealized gain approximated \$7,678,063 and \$1,487,416 respectively at June 30, 2016.

Investment income is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 149,215	\$ 127,577
Net realized gains	238,665	275,412
Net unrealized gain (loss)	943,899	(380,289)
Investment expenses	<u>(253,285)</u>	<u>(221,117)</u>
Investment income, net	<u>\$ 1,078,494</u>	<u>\$ (198,417)</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 \$129,948 and \$113,917 for fiscal years ended June 30, 2017 and 2016, 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, 2017 and 2016

FAIR VALUE MEASUREMENTS

	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	219,160	-	-	219,160
Total Cash Equivalents	219,160	-	-	219,160
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	10,183,059	-	-	10,183,059
Total Fair Value Measurement:	\$ 10,229,066	\$ -	\$ -	\$ 10,229,066
Fair Value Measurements at June 30, 2016				
	Level 1	Level 2	Level 3	Total
Separate Accounts:				
Money Market Account	\$ 247,016	\$ -	\$ -	\$ 247,016
Total Separate Accounts:	247,016	-	-	247,016
Pooled Investments:				
Equity Investments				
Mutual Fund Value	1,082,413	-	-	1,082,413
Mutual Fund Growth	2,134,185	-	-	2,134,185
Mutual Fund Market Index	2,202,472	-	-	2,202,472
Mutual Fund Inflation Protection	454,106	-	-	454,106
Mutual Fund Bonds	2,152,097	-	-	2,152,097
Mutual Fund Income	1,140,206	-	-	1,140,206
Total Equity Investments	9,165,479	-	-	9,165,479
Total Pooled Investments	9,165,479	-	-	9,165,479
Total Fair Value Measurement:	\$ 9,412,495	\$ -	\$ -	\$ 9,412,495

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2017 and 2016

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 balance was insured as of June 30, 2017, and the uninsured balance was approximately \$200,498 at June 30, 2016. 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>2017</u>	<u>2016</u>
Pledges and other receivables consisted of the following at June 30:		
Unconditional promises to give -		
Receivable in less than one year	\$ 23,000	\$ 3,832
Receivable in one to five years	<u>69,000</u>	<u>-</u>
Total unconditional promises to give	92,000	3,832
Less discount to net present value (5% rate)	<u>(10,663)</u>	<u>-</u>
Net unconditional promises to give	81,337	3,832
Other receivables -		
Administrative fee	11,394	10,390
Other receivables - related party	<u>6,870</u>	<u>94</u>
Total pledges and other receivables - net	<u>\$ 99,601</u>	<u>\$ 14,316</u>

Management has determined that all pledges as of June 30, 2017 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, 2017 and 2016.

The \$6,870 reported as other receivables as of June 30, 2017 is due from the Wenatchee Valley College for program expenses that were over paid by the Foundation to the College. The duplicate payment was paid back to the Foundation subsequent to the year ending June 30, 2017.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016

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 gain - realized and unrealized	-	220,289	753,312	973,601
Investment expenses	-	(47,186)	(161,358)	(208,544)
Total investment return	<u>-</u>	<u>200,424</u>	<u>685,382</u>	<u>885,806</u>
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, 2017 and 2016

ENDOWMENTS (CONTINUED)

Endowment assets by fund consist of the following as of: **June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 1,413,197	\$ 5,670,886	\$ 7,084,083
Board-designated funds	-	245,124	-	245,124
	<u>\$ -</u>	<u>\$ 1,658,321</u>	<u>\$ 5,670,886</u>	<u>\$ 7,329,207</u>

Changes in endowment net assets as of: **June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,978,516	\$ 4,609,501	\$ 6,588,017
Investment return:				
Interest and dividends	-	10,645	100,903	111,548
Net loss - realized and unrealized	-	(16,478)	(68,650)	(85,128)
Investment expenses	-	(18,762)	(177,661)	(196,423)
Total investment return	<u>-</u>	<u>(24,595)</u>	<u>(145,408)</u>	<u>(170,003)</u>
Gifts, contributions, and other support Program and other income	-	380,251	1,418,015	1,798,266
Reclassifications and appropriations	-	79,742	24,110	103,852
	<u>-</u>	<u>(755,593)</u>	<u>(235,332)</u>	<u>(990,925)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,658,321</u>	<u>\$ 5,670,886</u>	<u>\$ 7,329,207</u>

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

RELATED PARTY TRANSACTIONS

The following related party transactions occurred between the Foundation and Wenatchee Valley College (College) during the years ending June 30, 2017 and 2016:

In-Kind Contributions

The Foundation received a total of \$125,232 and \$174,424 of in-kind contributions from the College during the years ending June 30, 2017 and 2016, respectively. These contributions consist of salaries, payroll taxes, goods, services, office space, and other miscellaneous items.

Rental Income

During Fiscal year ending June 30, 2016 the Foundation rented a parking lot to the College for \$1,500. In fiscal year ended June 30, 2016 the Foundation gifted the Parking lot to the college.

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, 2017 and 2016 in the amount of \$354,206 and \$368,938, respectively. Total funding provided by the Foundation to the College in the form of programs, scholarships, awards and gifts totaled \$604,016 and \$568,034 for the years ending June 30, 2017 and 2016, respectively.

Compensation and Related Costs

The College employed all the Foundation's staff for the years ending June 30, 2017 and 2016. 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 \$240,220 and \$284,864 for the years ending June 30, 2017 and 2016.

WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2017 and 2016

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.

Although the Foundation may utilize the services of outside volunteers, 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.

The Foundation received total in-kind contributions of \$162,964 and \$236,966 for the years ending June 30, 2017

SPECIAL EVENTS

The Foundation holds various special events to raise funds to help support their operations and activities. Fundraising income totaled \$7,154 and \$9,397 with related direct expenses of \$5,407 and \$4,970 for the years ending June 30, 2017 and 2016, respectively.

NOTE PAYABLE

During the fiscal year the Foundation entered into a loan agreement with Cashmere Valley Bank to assist in facilitating the initial funding of construction at Wenatchee Valley College. The Foundation Borrowed approximately \$845,000 from Cashmere Valley Bank for Wenatchee Valley College. During the fiscal year Wenatchee Valley College paid these funds back to the Foundation, including interest, and the note at Cashmere Valley Bank was paid off and closed.

CONDITIONAL PLEDGE

On June 19, 2015 The Foundation entered into a conditional Pledge agreement from a major donor for costs related to completion of new campus facilities at Wenatchee Valley College. A onetime donation of one million dollars will be paid to Wenatchee Valley College Foundation upon affixing Donor's name to the completed Rec Center. As of June 30, 2017 the rec center on which the conditional terms are set was still under construction. See subsequent event foot note for additional information.

SUBSEQUENT EVENTS

The terms for the Conditional Pledge agreement has been met as of August 2, 2017. On July 20, 2017, the Donors name was affixed to the Rec Center which obtained its occupancy certificate on August 2, 2017. Due to timing of completion, no receivable is reflected in the financial statements as of June 30, 2017.

Management has evaluated subsequent events through August 21, 2018, 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, 2017
With Comparative Totals For The Year Ended June 30, 2016

	Current Funds	Program Funds	Endowment Funds	2017 Total	2016 Total
PUBLIC SUPPORT AND REVENUE					
Public Support -					
Gifts, contributions, and other grants - unrestricted	\$ 65,531	\$ -	\$ -	\$ 65,531	\$ 56,210
Gifts, contributions, and other grants - restricted	-	199,634	8,525	208,159	1,595,843
Scholarships	1,288	72,814	65,405	139,507	145,327
In-kind contributions-related party	125,232	-	-	125,232	174,424
In-kind contributions	14,707	23,025	-	37,732	62,542
Revenue -					
Interest and dividends	18,736	9,730	120,749	149,215	127,577
Unrealized gain (loss) on investments	104,060	62,213	777,626	943,899	(380,289)
Realized gain on investments	26,348	16,342	195,975	238,665	275,412
Management fees	129,948	-	-	129,948	113,917
Rental income - related party	-	-	-	-	1,500
Program income, events net of direct costs, and other income	77,096	70,507	37,680	185,283	151,876
	<u>562,946</u>	<u>454,265</u>	<u>1,205,960</u>	<u>2,223,171</u>	<u>2,324,339</u>
EXPENSES					
Compensation and related costs	180,816	59,404	-	240,220	284,864
Uncollectible pledge expense	-	-	-	-	1,475
Insurance	2,750	-	-	2,750	2,750
Legal and accounting	37,746	-	-	37,746	22,384
Investment Expense	5,159	3,131	38,665	46,955	39,160
Advertising	2,389	-	-	2,389	6,869
Alumni relations	5,916	-	-	5,916	16,649
Administration Fee	22,722	13,729	169,879	206,330	181,957
Travel, meals, and entertainment	14,909	-	-	14,909	21,212
Office and general	46,933	-	-	46,933	6,924
General program expenses	75,835	281,807	32,445	390,087	330,745
President's and Executive Director's discretionary fund	2,386	-	-	2,386	4,915
Gifts, grants and awards - related party	59,134	215,000	-	274,134	179,616
In-kind gifts - related party	20,247	33,483	-	53,730	109,027
Recognition	5,338	3,000	(310)	8,028	37,611
Education, conferences, training	593	-	-	593	5,832
Scholarships awarded - related party	500	114,467	150,771	265,738	220,216
	<u>483,373</u>	<u>724,021</u>	<u>391,450</u>	<u>1,598,844</u>	<u>1,472,206</u>
Total Expenses	<u>\$ 79,573</u>	<u>\$ (269,756)</u>	<u>\$ 814,510</u>	<u>\$ 624,327</u>	<u>\$ 852,133</u>
Change in Net Assets					
See independent auditor's report.					