



FINANCIAL STATEMENTS

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Edmonds College Foundation

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Vine Dahlen PLLC

May 14, 2024

EDMONDS COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS		
	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,760,626	\$ 1,455,450
Accounts receivable, net	2,561	934
Due from the College	38,854	0
Current portion of promises to give	109,606	105,976
Prepaid expenses	3,662	5,767
TOTAL CURRENT ASSETS	1,915,309	1,568,127
OTHER ASSETS:		
Promises to give, net of current portion	48,947	100,679
Investments	5,381,155	4,982,175
Title III grant investments	1,034,819	958,317
Split-interest agreements	946,406	865,494
TOTAL OTHER ASSETS	7,411,327	6,906,665
TOTAL ASSETS	\$ 9,326,636	\$ 8,474,792
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 68,119	\$ 11,994
Due to the College	25,351	39,472
Deferred grant revenue	51,621	0
TOTAL CURRENT LIABILITIES	145,091	51,466
NET ASSETS:		
Without donor restrictions	1,973,839	1,896,963
With donor restrictions	7,207,706	6,526,363
TOTAL NET ASSETS	9,181,545	8,423,326
TOTAL LIABILITIES AND NET ASSETS	\$ 9,326,636	\$ 8,474,792

See accompanying notes to financial statements.

EDMONDS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 148,778	\$ 1,140,614	\$ 1,289,392
In-kind contributions	147,445	0	147,445
Special events	287,569	0	287,569
Net investment return	111,234	384,873	496,107
Change in value of split-interest agreements	0	80,912	80,912
Other income	2,920	0	2,920
Net assets released from restrictions	925,056	(925,056)	0
	1,623,002	681,343	2,304,345
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES:			
Scholarships	260,696	0	260,696
College program support	526,993	0	526,993
STEM and Nursing building grant to the College	150,000	0	150,000
Other program expenses	130,445	0	130,445
	1,068,134	0	1,068,134
Total program services			
Administration	145,090	0	145,090
Fundraising	332,902	0	332,902
	477,992	0	477,992
Total supporting services			
	1,546,126	0	1,546,126
TOTAL EXPENSES			
CHANGE IN NET ASSETS	76,876	681,343	758,219
BEGINNING NET ASSETS	1,896,963	6,526,363	8,423,326
ENDING NET ASSETS	\$ 1,973,839	\$ 7,207,706	\$ 9,181,545

EDMONDS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 119,672	\$ 926,602	\$ 1,046,274
In-kind contributions	239,654	0	239,654
Special events	374,536	5,000	379,536
Net investment return (loss)	(108,433)	(752,093)	(860,526)
Change in value of split-interest agreements	0	(186,008)	(186,008)
Net assets released from restrictions	1,797,494	(1,797,494)	0
	<u>2,422,923</u>	<u>(1,803,993)</u>	<u>618,930</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT			
EXPENSES:			
Scholarships	268,373	0	268,373
College program support	375,163	0	375,163
STEM and Nursing building grant to the College	600,000	0	600,000
Other program expenses	108,537	0	108,537
	<u>1,352,073</u>	<u>0</u>	<u>1,352,073</u>
Total program services			
Administration	183,255	0	183,255
Fundraising	336,757	0	336,757
	<u>520,012</u>	<u>0</u>	<u>520,012</u>
Total supporting services			
	<u>1,872,085</u>	<u>0</u>	<u>1,872,085</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	550,838	(1,803,993)	(1,253,155)
BEGINNING NET ASSETS	<u>1,346,125</u>	<u>8,330,356</u>	<u>9,676,481</u>
ENDING NET ASSETS	<u>\$ 1,896,963</u>	<u>\$ 6,526,363</u>	<u>\$ 8,423,326</u>

See accompanying notes to financial statements.

EDMONDS COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

2023

	Program Services	Administration	Fundraising	Total
Scholarships	\$ 260,696	\$ 0	\$ 0	\$ 260,696
College program support	526,993	0	0	526,993
STEM and Nursing building grant to the College	150,000	0	0	150,000
In-kind services from the College	24,160	21,576	98,209	143,945
Advertising	40	393	2,617	3,050
Event production costs	392	0	82,296	82,688
Hospitality and catering	30,268	2,325	5,655	38,248
Office expenses	21,442	26,393	14,503	62,338
Personnel expenses	25,887	19,747	105,086	150,720
Professional services	28,256	74,656	24,536	127,448
TOTAL EXPENSES	\$ 1,068,134	\$ 145,090	\$ 332,902	\$ 1,546,126

2022

	Program Services	Administration	Fundraising	Total
Scholarships	\$ 268,373	\$ 0	\$ 0	\$ 268,373
College program support	375,163	0	0	375,163
STEM and Nursing building grant to the College	600,000	0	0	600,000
In-kind services from the College	47,350	63,106	129,198	239,654
Advertising	0	0	4,205	4,205
Bad debt expense	0	2,500	0	2,500
Event production costs	44	0	64,595	64,639
Hospitality and catering	7,735	300	5,185	13,220
Office expenses	9,128	5,828	27,700	42,656
Personnel expenses	36,730	42,067	105,874	184,671
Professional services	7,550	69,454	0	77,004
TOTAL EXPENSES	\$ 1,352,073	\$ 183,255	\$ 336,757	\$ 1,872,085

See accompanying notes to financial statements.

EDMONDS COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ 758,219	\$ (1,253,155)
Adjustments to reconcile change in net assets to net cash:		
Contributions restricted for endowments	(13,400)	(145,000)
Change in unamortized discount on promises to give	(1,089)	(9,512)
Net realized and unrealized loss (gain) on investments	(383,939)	944,556
Change in value of split-interest agreements	(80,912)	186,008
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(1,627)	250
Due from the College	(38,854)	22,050
Promises to give	49,191	604,969
Prepaid expenses	2,105	11,926
Increase (decrease) in liabilities:		
Accounts payable	56,125	(21,353)
Due to the College	(14,121)	(79,687)
Deferred grant revenue	51,621	0
Total adjustments and changes	(374,900)	1,514,207
	383,319	261,052
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of investments and Title III grant investments	(3,274,953)	(3,041,384)
Proceeds from sale of investments and Title III grant investments	3,183,410	2,637,149
	(91,543)	(404,235)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Contributions restricted for endowments	13,400	145,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	305,176	1,817
BEGINNING CASH AND CASH EQUIVALENTS	1,455,450	1,453,633
ENDING CASH AND CASH EQUIVALENTS	\$ 1,760,626	\$ 1,455,450

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

1. PURPOSE OF THE FOUNDATION

Established in 1982 as a Washington State nonprofit corporation, and led by a Board of Directors (Board) of committed volunteers, Edmonds College Foundation (the Foundation) supports access, success, and excellence for students, faculty, and staff at Edmonds College (the College). In order to fulfill this mission, the Foundation's primary function is to raise money through various forms of fundraising, such as community appeals, employee and Board giving, special events, and grants from foundations and corporations that are used to fund the following programs:

College program support

Provides support to instructional areas on campus and provides financial support to the College, its ancillary programs, and projects endorsed by the College, which includes awards to outstanding faculty and staff. College program support also includes grants provided to college programs, instructional departments, and activities.

Scholarships

Provides financial support to underserved and deserving students to enable them to further their educational goals. Gifts from the community fund annual scholarships. Endowments and annual donor-restricted gifts are used to support long-term scholarship programs.

STEM and Nursing building capital campaign

Periodically, the Foundation will conduct or assist in campaign activities in support of the College. The most recent campaign was the LAUNCH Campaign (capital campaign) in which the Foundation generated approximately \$2,100,000 in support of the construction of Hazel Miller Hall (STEM and Nursing building) on the college campus. Gifts to the campaign came in the form of both short-term and long-term promises to give. During the year ended June 30, 2023 and 2022, the Foundation transferred \$150,000 and \$600,000, respectively, to the College for the STEM and Nursing building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for the Foundation is presented to assist in understanding the Foundation's financial statements. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Foundation considers time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less to be cash equivalents. Cash held in investment accounts and Title III grant investments are considered investments.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-interest agreements

The Foundation is the beneficiary of certain split-interest agreements. These agreements were recorded as contributions and are reported as assets at the present value of expected future cash flows.

Accounts receivable

The Foundation carries its accounts receivable at cost, less an allowance for credit losses. The allowance for credit losses is provided based on management's analysis of specific receivables. The Foundation's policy does not provide accrual of interest or other service charges on its receivables. Receivables are written off as uncollectible only after all efforts to collect have been exhausted. At June 30, 2023 and 2022, the allowance for credit losses was \$0 since management considers the balance in accounts receivable to be fully collectible.

Promises to give

Unconditional promises to give, including promises to give for the Foundation's capital campaign that are expected to be collected within one year, are recorded at their net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions in the statements of activities over the duration of the contributions. The allowance for uncollectible promise to give is estimated based upon historical collection rates and specific identification of uncollectible amounts. At June 30, 2023 and 2022, the allowance for uncollectible promises to give was \$1,577. Promises to give are written off when deemed uncollectible.

Investments

The Foundation's investment objective is to maximize total return and preserve capital, while minimizing credit risk and avoiding excessive market risk. In order to achieve this objective, the Foundation's assets are invested in accordance with an investment policy approved by the Foundation's Board with a level of risk that is appropriate to the Foundation's spending objectives. Investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less external and direct internal investment expenses. The Foundation adheres to all donor-imposed restrictions in the allocation and expenditure of investment earnings.

Investments acquired by gift are recorded at their fair values at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the impact on the market price.

Bank certificate of deposits with original maturities exceeding three months are considered short-term investments and classified separately from cash and cash equivalents at cost, plus accrued interest.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

The Foundation classifies net assets, revenues, gains and losses on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net assets without donor restrictions

Net assets without donor restrictions are available for use in general operations and the Board's designations and are not subject to donor restrictions.

See Note 10 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions

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

See Note 11 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Revenue and revenue recognition

The Foundation recognizes contributions when cash, securities or other assets, unconditional promises to give, or notification of a beneficial interest is received. The Foundation reports contributions with or without donor restrictions depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets. Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right to return, are not recognized as revenue until the conditions on which they depend have been substantially met.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets with explicit donor stipulations that specify how the assets are to be used are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed goods are recorded at fair value at the date of donation. The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated professional services are recorded at the respective fair values of the services received.

Special events include contributions from sponsors and participants at fundraising events, which are recognized when contributions are received.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. Costs that are common to several functions are allocated among the various functional areas based on square footage and time and effort.

Advertising

The Foundation follows the policy of charging costs of advertising to expense as incurred.

Tax exemption

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes unless the Foundation engages in unrelated business activities. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation's tax filings are subject to examination by taxing authorities, generally for three years after the return is filed. The Foundation would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of administration expenses in the statements of functional expenses.

3. LIQUIDITY AND AVAILABILITY

The Foundation maintains a policy to structure its financial assets to be available as its general expenditures and liabilities come due and operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted revenue. In addition, as part of its liquidity management, the Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investments of its available funds.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for general expenditures within one year include:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,760,626	\$ 1,455,450
Accounts receivable, net	2,561	934
Due from the College	38,854	0
Promises to give	158,553	206,655
Investments	5,381,155	4,982,175
Title III grant investments	1,034,819	958,317
Total financial assets	8,376,568	7,603,531
Less amounts not available to be used within one year:		
Long-term portion of promises to give	(48,947)	(100,679)
Net assets with donor restrictions, excluding split-interest agreements	(6,261,300)	(5,660,869)
Add anticipated appropriations for scholarships	354,000	295,444
Add anticipated appropriations for college programs	80,000	70,540
Board designated for endowment funds	(449,361)	(422,920)
Board designated for future use	(568,680)	(568,615)
Total amounts not available to be used within one year	(6,894,288)	(6,387,099)
Total financial assets available within one year	\$ 1,482,280	\$ 1,216,432

4. SPLIT-INTEREST AGREEMENTS

During 1999, the Foundation became the beneficiary of a 30% interest in a charitable trust (the Trust), the trustee of which is a financial institution. According to the Trust agreement, it is intended by the trustor that no principal invasions occur and that the Trust remains in effect in perpetuity. The fair value of the Foundation's 30% interest at June 30, 2023 and 2022 was \$478,927 and \$448,454, respectively.

The income from the Trust will be distributed, not less than annually, among the Trust beneficiaries and is recorded as net investment return without donor restrictions in the statements of activities. During the years ended June 30, 2023 and 2022, the Foundation received \$17,057 and \$25,893, respectively, in income distributions from the Trust.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

4. SPLIT-INTEREST AGREEMENTS (Continued)

In 1996, the Foundation was named as the sole beneficiary of a charitable remainder unitrust (the Unitrust). The assets of the Unitrust are held by a financial institution. The net present value of the Unitrust was \$467,479 and \$417,040 as of June 30, 2023 and 2022, respectively. Adjustments to the Unitrust for revaluation of the present value to the estimated future payments to the beneficiary and changes in actuarial assumptions are recognized in the statements of activities as change in value of split-interest agreements. The payout rate to determine the present value is 9% during both of the years ended June 30, 2023 and 2022. Actuarial assumptions to determine the present value of future payments are based on estimated life expectancy tables provided by the Internal Revenue Service.

5. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows:

	2023	2022
<u>Amount due in:</u>		
Less than 1 year, net of allowance for uncollectible promises to give	\$ 109,606	\$ 105,976
1-5 years	52,150	104,971
	161,756	210,947
Less unamortized discount (0.18% - 1.72%)	3,203	4,292
	\$ 158,553	\$ 206,655

Unconditional promises to give are summarized as follows:

General operations	\$ 4,423	\$ 20,923
Capital campaign	154,130	185,732
	\$ 158,553	\$ 206,655

At June 30, 2023 and 2022, 32% and 30%, respectively, of the gross promises to give were due from one donor.

During year ended June 30, 2020, the Foundation received a conditional promise to give of \$35,000 for a scholarship. That conditional promise to give will be recognized in the financial statements upon the death of the donor. During the year ended June 30, 2022, the Foundation received a conditional promise to give of \$75,000 for scholarships. The Foundation met the condition for the first payment of \$25,000 during the year ended June 30, 2022. The Foundation met the condition for the second payment of \$25,000 during the year ended June 30, 2023, and it has been recognized in the financial statements. The remaining \$25,000 will be recognized when the other conditions are met.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6. FAIR VALUE MEASUREMENTS

The fair values of financial assets are classified based on the following hierarchy reflecting the significant inputs used to determine fair value measurements:

Level 1 - Observable inputs that reflect unadjusted quoted prices or published net asset value for identical assets in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs, which are supported by little or no market activity.

Split-interest agreements

The Foundation considers the measurement of its beneficial interests in the Trust and the Unitrust to be a Level 3 measurement within the fair value hierarchy because even though the measurements are either based on the present value or the Foundation's pro rata share of the unadjusted fair value of trust assets reported by the trustees, the Foundation will never receive the trust assets or has the ability to direct the trustees to redeem the assets.

Fair values of the Foundation's financial assets measured on a recurring basis are as follows:

	Fair Value Hierarchy Level	2023	2022
Money market funds	1	\$ 162,539	\$ 127,147
Exchange-traded funds	1	3,363,324	3,203,161
Mutual funds	1	2,239,673	2,041,834
Certificates of deposit	2	0	164,792
Government securities	2	650,438	403,558
Split-interest agreements (Note 4)	3	946,406	865,494
		<u>\$ 7,362,380</u>	<u>\$ 6,805,986</u>
Total investments in the fair value hierarchy			

As presented on the statements of financial position:

Investments	\$ 5,381,155	\$ 4,982,175
Title III grant investments	1,034,819	958,317
Split-interest agreements	946,406	865,494
	<u>\$ 7,362,380</u>	<u>\$ 6,805,986</u>

Investment management fees were \$53,099 and \$66,941 for the years ended June 30, 2023 and 2022, respectively.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

7. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2023	2022
Personnel and facilities support from the College:		
Employee support	\$ 136,865	\$ 165,263
Office space	2,304	4,203
Other expenditures	8,276	70,188
	\$ 147,445	\$ 239,654

8. RELATED PARTY TRANSACTIONS

The College provided the Foundation with in-kind contributions (Note 7), which represented approximately 11% and 39% of the total revenues, gains, and other support for the years ended June 30, 2023 and 2022, respectively.

The amounts due from/to the College at June 30, 2023 and 2022 were as follows:

Due from the College	\$ 38,854	\$ 0
Due to the College	(25,351)	(39,742)
Due from/(to) the College	\$ 13,503	\$ (39,742)

The College reimbursed the Foundation for certain expenses of \$98,812 and \$42,625 during the years ended June 30, 2023 and 2022, respectively.

9. CONCENTRATIONS

Contributions from two donors represented 48% of total contributions for the year ended June 30, 2023. Contributions from four donors represented 65% of total contributions for the year ended June 30, 2022.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions available for the following purposes are summarized as follows:

Board designated for endowment funds	\$ 449,361	\$ 422,920
Board designated for future use	568,680	568,615
Undesignated	955,798	905,428
	\$ 1,973,839	\$ 1,896,963

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes are summarized as follows:

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships	\$ 695,596	\$ 544,314
College programs and departments	921,255	537,471
Capital campaign	181,783	327,507
	1,798,634	1,409,292
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Scholarships	449,890	394,892
College programs and departments	682,243	597,354
Title III grant	389,045	330,543
	1,521,178	1,322,789
Subject to the Foundation's endowment spending policy and appropriation:		
Scholarships	1,319,871	1,307,171
College programs and departments	983,871	983,871
Capital campaign	637,746	637,746
	2,941,488	2,928,788
Total endowments	4,462,666	4,251,577
Perpetual in nature, not subject to spending policy or appropriation:		
Split-interest agreements	946,406	865,494
	\$ 7,207,706	\$ 6,526,363

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, are summarized as follows:

Scholarships	\$ 612,805	\$ 932,907
College programs and departments	133,763	246,198
Title III grant	28,000	16,000
Capital campaign	150,488	602,389
	\$ 925,056	\$ 1,797,494

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

12. ENDOWMENTS

The Foundation's endowments consist of individual funds established for scholarships and college program support. The endowments include both donor-restricted endowment funds and funds designated by the Board to function as an endowment. Income from donor-restricted endowment funds is used to fund scholarships and college programs. The Foundation's Board-designated endowment funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated for endowment by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions and Board designations.

Interpretation of relevant law

The Foundation operates in accordance with the Washington State Prudent Management of Institutional Funds Act (PMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give, net of discount and allowance for uncollectible promises to give) donated to the endowments, and (b) any accumulations to the endowments made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added.

None of the funds the Foundation retains in perpetuity require additional accumulations. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PMIFA.

Endowment net asset composition

Endowment net asset composition by type of funds is summarized as following:

<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 449,361	\$ 0	\$ 449,361
Donor-restricted endowment funds:			
Amounts required to be maintained in perpetuity	0	2,941,488	2,941,488
Accumulated investment gains	0	1,521,178	1,521,178
	<u>\$ 449,361</u>	<u>\$ 4,462,666</u>	<u>\$ 4,912,027</u>

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

12. ENDOWMENTS (Continued)

Endowment net asset composition (continued)

2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 422,920	\$ 0	\$ 422,920
Donor-restricted endowment funds:			
Amounts required to be maintained in perpetuity	0	2,928,788	2,928,788
Accumulated investment gains	0	1,322,789	1,322,789
	<u>\$ 422,920</u>	<u>\$ 4,251,577</u>	<u>\$ 4,674,497</u>

Changes in endowment net assets are as follows:

Balance at June 30, 2021	\$ 728,547	\$ 5,605,206	\$ 6,333,753
Contributions	0	178,940	178,940
Net investment return (loss)	(50,210)	(643,157)	(693,367)
Appropriation of expenditure	0	(107,602)	(107,602)
Transfer of funds from endowment funds	(255,417)	(781,810)	(1,037,227)
Balance at June 30, 2022	<u>422,920</u>	<u>4,251,577</u>	<u>4,674,497</u>
Contributions	0	27,750	27,750
Net investment return	26,441	334,423	360,864
Appropriation of expenditure	0	(118,931)	(118,931)
Transfer of funds from endowment funds	0	(32,153)	(32,153)
Balance at June 30, 2023	<u>\$ 449,361</u>	<u>\$ 4,462,666</u>	<u>\$ 4,912,027</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical dollar value that the donor or PMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$0 as of June 30, 2023 and 2022.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

12. ENDOWMENTS (Continued)

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowment funds while maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, that exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible.

Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on a blended strategy through a balanced return from both equities and fixed income investments. The objective is represented by an allocation to equities between 50% and 70% and in fixed income from 30% to 50%. The Board shall determine once a year an asset allocation range based on economic conditions, operating needs and an annual risk analysis.

Spending policy and how the investment objectives relate to spending policy

The Foundation's spending policy provides for the appropriation of 4% of the 5-year trailing average of its endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effect of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 6% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Title III endowments

In October 2008, the College was awarded a Title III, Part A, *Strengthening Institutions Grant* from the United States Department of Education. The grant year began October 1, 2008, for a five-year period. The Title III grant award included a \$637,746 challenge grant endowment, in that the Foundation must raise independent private funds to match the federal dollars on a one-to-one basis. The Title III endowment funds must be used for scholarships to at-risk and or low-income students. The Foundation will preserve the endowment corpus of \$637,746 in perpetuity, and the corpus shall not be invaded without the express written consent of the donors. The Federal Government's interest ceases on September 30, 2033. No endowment earnings over 50% of the annual income may be expended until October 1, 2033.

EDMONDS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS

During the year ended June 30, 2019, the Foundation agreed to transfer a balance of \$90,583, related to the College's Boots to Books and Beyond campaign for the Veterans Resource Center. The Foundation distributed \$40,000 to the College for the year ended June 30, 2020 and is still committed to paying the remaining \$50,583 to the College.

14. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances at financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Foundation had balances in excess of the insured amount.

The Foundation maintains its investment accounts at a financial institution. The accounts contain cash and securities. Within the limits of protection offered by the Security Investor Protection Corporation, claims against a broker-dealer are satisfied on cash up to a maximum of \$250,000 and securities up to a maximum of \$500,000. At times during the year, the Foundation had balances in excess of the limits.

15. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications have no impact on previously reported total net assets.

16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date these statements were available to be issued on May 14, 2024.