



# Lake Washington College Foundation

Financial Statements  
Years Ended December 31, 2019 and 2018

# **Lake Washington College Foundation**

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Financial Statements  
Years Ended December 31, 2019 and 2018

# Lake Washington College Foundation

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## **Independent Auditor's Report**

To the Board of Directors  
Lake Washington College Foundation  
Kirkland, Washington

### **Report on Financial Statements**

We have audited the accompanying financial statements of Lake Washington College Foundation (the "Foundation"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2019, and the related statements of revenue, expenses, and changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

#### ***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.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Washington College Foundation as of December 31, 2019, and its activities and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matter***

The financial statements of Lake Washington College Foundation as of and for the year ended December 31, 2019, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements, which were prepared using the modified cash basis of accounting, in their report dated July 3, 2019.

*BDO USA, LLP*

January 11, 2021

## Financial Statements

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# Lake Washington College Foundation

## Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

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<i>December 31,</i>	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 894,634	\$ 210,730
Cash held for endowment	13,146	20,197
Investments	3,471,954	2,985,871
<b>Total Assets</b>	<b>\$ 4,379,734</b>	<b>\$ 3,216,798</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	\$ 277,574	\$ 114,971
Board-designated programs and scholarships	200,822	178,751
Total without donor restrictions	478,396	293,722
With donor restrictions	3,901,338	2,923,076
<b>Total Net Assets</b>	<b>\$ 4,379,734</b>	<b>\$ 3,216,798</b>

*See accompanying notes to financial statements.*

## Lake Washington College Foundation

### Statements of Revenue, Expenses, and Changes in Net Assets - Modified Cash Basis

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Contributions	\$ 12,717	\$ 1,075,113	\$ 1,087,830	\$ 15,286	\$ 746,716	\$ 762,002
Investment income (loss), net of fees	213,246	293,995	507,241	(92,907)	(75,285)	(168,192)
Special events	210,183	37,580	247,763	168,757	34,979	203,736
Other revenue	14,206		14,206	18,371	-	18,371
<b>Total Revenue</b>	<b>450,352</b>	<b>1,406,688</b>	<b>1,857,040</b>	<b>109,507</b>	<b>706,410</b>	<b>815,917</b>
Net assets released due to satisfaction of restrictions	428,426	(428,426)	-	416,963	(416,963)	-
	<b>878,778</b>	<b>978,262</b>	<b>1,857,040</b>	<b>526,470</b>	<b>289,447</b>	<b>815,917</b>
<b>Expenses</b>						
Awards and program support	543,945	-	543,945	544,758	-	544,758
Management and general	119,519	-	119,519	88,478	-	88,478
Fundraising	30,640	-	30,640	29,583	-	29,583
<b>Total Expenses</b>	<b>694,104</b>	<b>-</b>	<b>694,104</b>	<b>662,819</b>	<b>-</b>	<b>662,819</b>
<b>Change in Net Assets</b>	<b>184,674</b>	<b>978,262</b>	<b>1,162,936</b>	<b>(136,349)</b>	<b>289,447</b>	<b>153,098</b>
<b>Net Assets, beginning of year</b>	<b>293,722</b>	<b>2,923,076</b>	<b>3,216,798</b>	<b>430,071</b>	<b>2,633,629</b>	<b>3,063,700</b>
<b>Net Assets, end of year</b>	<b>\$ 478,396</b>	<b>\$ 3,901,338</b>	<b>\$ 4,379,734</b>	<b>\$ 293,722</b>	<b>\$ 2,923,076</b>	<b>\$ 3,216,798</b>

See accompanying notes to financial statements.

**Lake Washington College Foundation**  
**Statements of Functional Expenses- Modified Cash Basis**

Year Ended December 31,	2019			2018				
	Awards and Program Support	Management and General	Fundraising	Total	Awards and Program Support	Management and General	Fundraising	Total
Scholarship expense	\$ 423,973	\$ -	\$ -	\$ 423,973	\$ 308,264	\$ -	\$ -	\$ 308,264
Contract services	43,470	50,536	7,117	101,123	98,018	38,277	2,830	139,125
Office expense	53,421	3,632	2,642	59,695	92,547	7,935	2,805	103,287
Food	7,223	19,503	365	27,091	6,324	15,214	2,374	23,912
Scholarship fundraising	-	-	15,070	15,070	-	-	17,264	17,264
Travel	9,260	1,124	-	10,384	12,205	793	-	12,998
Professional services	-	10,225	-	10,225	-	8,825	-	8,825
Registration and memberships	6,535	2,510	-	9,045	6,609	1,965	-	8,574
Rental expense	-	3,010	3,851	6,861	3,831	2,871	3,461	10,163
Other expenses	63	28,979	1,595	30,637	16,960	12,598	849	30,407
<b>Total Expenses</b>	<b>\$ 543,945</b>	<b>\$ 119,519</b>	<b>\$ 30,640</b>	<b>\$ 694,104</b>	<b>\$ 544,758</b>	<b>\$ 88,478</b>	<b>\$ 29,583</b>	<b>\$ 662,819</b>

See accompanying notes to financial statements.

**Lake Washington College Foundation**  
**Statements of Cash Flows- Modified Cash Basis**

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<i>Year Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 1,162,936	\$ 153,098
Contributions restricted to endowment	(190,676)	(256,204)
Net realized/unrealized (gains) losses on investments	(443,389)	308,188
<b>Net Cash Flows from Operating Activities</b>	<b>528,871</b>	<b>205,082</b>
<b>Cash Flows for Investing Activity</b>		
Net purchase of investments	(28,592)	(485,003)
<b>Cash Flows from Financing Activity</b>		
Proceeds from contributions restricted to endowment	183,625	236,007
<b>Net Change in Cash</b>	<b>683,904</b>	<b>(43,914)</b>
<b>Cash, beginning of year</b>	<b>210,730</b>	<b>254,644</b>
<b>Cash, end of year</b>	<b>\$ 894,634</b>	<b>\$ 210,730</b>

*See accompanying notes to financial statements.*

# Lake Washington College Foundation

## Notes to Financial Statements

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### 1. Activities and Accounting Policies

#### *Organization*

The Lake Washington College Foundation (the “Foundation”) provides Lake Washington Institute of Technology (the “College”) the margin of support necessary to achieve educational excellence and to expand the financial basis for quality that lies beyond the scope of legislative funding through individual, corporate, and community partnerships.

#### *Basis of Accounting*

The Foundation’s policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting except for the recognition of investments at fair value. Therefore, all revenue and the related assets are recognized when received, rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

#### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

#### *Financial Statement Presentation*

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. These classes of net assets are further described as follows:

- Net Assets without Donor Restrictions - Support received without donor restriction.
- Net Assets with Donor Restrictions - One of two types of support: (1) Support received subject to a donor-imposed time restriction or stipulation for a particular purpose. When donor’s time restrictions expire or when the donor’s program restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. (2) Support received in the form of endowment or sustaining funds. The principal of endowment or sustaining funds is restricted in perpetuity and the income is utilized for the purposes specified by the donor.

Earnings on the individual endowments are used exclusively for scholarships. Earnings on the faculty endowments are used for college departments based on need and are used for items such as professional development, equipment, and supplies.

# Lake Washington College Foundation

## Notes to Financial Statements

Net assets with donor restrictions consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Net Assets with Purpose or Time Restrictions</b>		
Scholarships	\$ 1,146,035	\$ 609,963
Programs and events	503,477	484,309
Unappropriated endowment earnings	443,409	197,918
<b>Net Assets with Purpose or Time Restrictions</b>	<b>2,092,921</b>	<b>1,292,190</b>
<b>Net Assets with Endowment Restrictions</b>		
Individual endowments		
Altrusa Endowment	\$ 23,448	\$ 22,773
Autobody Craftsman	25,000	25,000
Bernice E. Tutt Endowment	40,000	40,000
Blair's Promise	24,240	24,240
Bottenberg	26,074	26,074
David B. Fleagle Memorial Fund	14,046	13,046
Dick and Diane Haelsig Fund	52,152	52,152
Dr. Metke President Fund	-	24,800
David Woodall	67,349	49,078
Don Marshall Endowment	2,434	-
Foundation Endowment	50,800	15,000
Gerald and Sandra Hughes	25,000	25,000
Halvorson Endowment	110,000	100,000
HelpSource Endowment	17,229	17,229
Ian Forough Memorial	8,400	-
International Program	15,000	15,000
Jim Colman Endowment	129,533	129,533
Kirkland Kiwanis Endowment	25,000	10,000
Laurie Clayton Memorial	29,500	27,000
Louis and Patricia Marsh	-	11,000
Maxine Stone Emery	12,000	12,000
Mike Clifton	26,750	7,500
Norah N. and Gerald F. Link	39,100	39,100
ProStart Endowment	10,000	10,000
Ralph L. Jones	130,000	130,000
Scott Fordham Endowment	24,341	24,340
Tjossem Family	451,021	351,021
Walter Seabloom Endowment	10,000	10,000
Total individual endowments	1,388,417	1,210,886
Faculty endowment	420,000	420,000
<b>Net Assets with Donor Endowment Restrictions</b>	<b>\$ 3,901,338</b>	<b>\$ 2,923,076</b>

### ***Fair Value Measurements***

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

# Lake Washington College Foundation

## Notes to Financial Statements

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**Level 1:** Observable market inputs such as quoted prices (unadjusted) in active markets (such as national exchanges) for identical assets or liabilities.

**Level 2:** Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

**Level 3:** Unobservable inputs where there is little or no market data, which require the Foundation to develop its own assumptions.

### ***Cash***

Cash includes cash held at banks. On occasion, the Foundation has amounts deposited with a financial institution in excess of federally insured limits. With the exception of cash and investments held in investment accounts, the Foundation considers all short-term securities with an original maturity of three months or less to be cash.

### ***Cash Held for Endowment***

Cash held for endowment includes contributions to the endowment funds that have not been transferred to the endowment investment accounts. These funds will be transferred after the end of the year.

### ***Concentrations***

Contributions from one donor represents 49% of total revenue for 2019. Contributions from two donors represent 37% of total revenue for 2018.

### ***Functional Allocation of Expenses***

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of revenue, expenses, and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional expenses include all direct expenditures of each program or supporting service. Costs are based on actual expenditures and are directly allocated to the identified cost objective. Expenditures that benefit more than one activity are also allocated based on direct expenditures. All fundraising activities relate to the Bachelor of Science in Nursing (“BSN”) campaign and the Jim Coleman plant sale.

### ***Income Tax***

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### ***Recent Accounting Pronouncement Adopted***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-19, Revenue from Contracts with Customers (“Topic 606”). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principles of the guidance is

# Lake Washington College Foundation

## Notes to Financial Statements

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that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflected the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the organization satisfies a performance obligation

In May 2020, the FASB voted to approve the proposed deferral of the effective date for Topic 606 for one year for all privately held entities that had not issued financial statements as of the date the final ASU issued.

As such, the Foundation has elected to defer implementation of Topic 606 until the year ending December 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (“Topic 958”), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The Foundation adopted this update in fiscal year 2019 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

### **Subsequent Events**

The Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was January 11, 2021.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, the Foundation continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the pandemic on its future operations, financial condition or liquidity for fiscal year 2020. Management

# Lake Washington College Foundation

## Notes to Financial Statements

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is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. The Foundation has not applied for or received a PPP loan.

Management continues to examine the impact that the CARES Act may have on the Foundation. Currently, management does not expect the CARES Act to have a significant impact on the Foundation’s financial condition, results from operations, or liquidity.

## 2. Liquidity and Availability of Resources

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 35% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, and contributions with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general, and fundraising expenses and amounts approved by the Scholarship Committee for scholarship awards. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation’s Scholarship Committee meets semi-annually to review and approve scholarship awards. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for

# Lake Washington College Foundation

## Notes to Financial Statements

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semi-annual scholarship commitments approved by the Committee, which represents 100% of the cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Cash	\$ 894,634	\$ 210,730
Cash held for endowment	13,146	20,197
Investments	3,471,954	2,985,871
<b>Total Financial Assets</b>	<b>4,379,734</b>	<b>3,216,798</b>
Endowment investments	(2,238,680)	(2,238,680)
Cash held for endowment	(13,146)	(20,197)
Board designated net assets	(200,822)	(178,751)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures within One Year</b>	<b>\$ 1,927,086</b>	<b>\$ 779,170</b>

### 3. Investments

Investments in mutual funds and exchange traded funds are stated at fair value, based on Level 1 inputs consisting of quoted prices in active markets such as national exchanges. Certificates of deposits are recorded at cost plus accrued interest. Investment income (loss) is reported in the statements of revenue, expenses, and changes in net assets and consists of interest and dividend income, and realized and unrealized gains and losses, less investment expenses.

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# Lake Washington College Foundation

## Notes to Financial Statements

The Foundation's investments consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash And Money Market</b>	<b>\$ 241,577</b>	<b>\$ 221,721</b>
Certificates of deposit	<b>439,183</b>	<b>343,797</b>
<b>Mutual Funds</b>		
Intermediate-term bond	<b>218,685</b>	146,395
Short-term bond	<b>101,729</b>	52,346
Commodities broad basket	<b>88,447</b>	48,473
Large blend	-	345,806
Diversified emerging markets	-	128,388
Small blend	-	95,527
Foreign large blend	-	87,700
Multi-sector bond	-	77,541
Global real estate	-	25,059
<b>Exchange-Traded Funds</b>	-	-
Large growth	<b>722,513</b>	173,873
Large value	<b>307,139</b>	167,994
Corporate bond	<b>218,121</b>	144,260
Mid-cap value	<b>210,142</b>	128,241
Foreign large blend	<b>204,100</b>	-
Emerging markets bond	<b>203,531</b>	248,657
Small value	<b>150,175</b>	92,728
Diversified emerging markets	<b>118,950</b>	126,008
Short-term bond	<b>101,468</b>	52,260
High-yield bond	<b>88,116</b>	37,630
Real estate	<b>58,078</b>	24,281
Mid-cap growth	-	130,801
Foreign large growth	-	43,652
Foreign large value	-	42,733
<b>Total Investments</b>	<b>\$ 3,471,954</b>	<b>\$ 2,985,871</b>
<i>December 31,</i>	<b>2019</b>	<b>2018</b>
General operating fund	<b>\$ 1,233,274</b>	<b>\$ 1,177,264</b>
Individual endowment fund	<b>1,753,590</b>	<b>1,336,539</b>
Faculty endowment fund	<b>485,090</b>	<b>472,068</b>
<b>Total Investments</b>	<b>\$ 3,471,954</b>	<b>\$ 2,985,871</b>

#### 4. Endowment

The Foundation's endowment consists of 36 individual and faculty funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with

# Lake Washington College Foundation

## Notes to Financial Statements

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endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Interpretation of Relevant Law*

The Board of Directors of the Foundation has interpreted the state of Washington 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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions due to endowment funds (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the endowment and accumulations to the 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 time or purpose restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Endowment net assets consist of the following net assets with donor restrictions:

<i>December 31, 2019</i>	Spendable	Corpus	Total
Donor-restricted endowment funds	\$ 456,556	\$ 1,795,270	\$ 2,251,826
<b>Total Funds</b>	<b>\$ 456,556</b>	<b>\$ 1,795,270</b>	<b>\$ 2,251,826</b>

<i>December 31, 2018</i>	Spendable	Corpus	Total
Donor-restricted endowment funds	\$ 218,115	\$ 1,610,689	\$ 1,828,804
<b>Total Funds</b>	<b>\$ 218,115</b>	<b>\$ 1,610,689</b>	<b>\$ 1,828,804</b>

# Lake Washington College Foundation

## Notes to Financial Statements

Changes in endowment net assets are as follows:

<i>Year Ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets</b> , beginning of year	\$ -	\$ 1,828,804	\$ 1,828,804
<b>Investment Return</b>			
Investment income	-	49,195	49,195
Net appreciation (realized and unrealized)	-	244,800	244,800
<b>Total Investment Return</b>	-	293,995	293,995
Contributions	-	177,530	177,530
Appropriation of endowment assets for expenditure	-	(38,750)	(38,750)
Fees	-	(9,753)	(9,753)
<b>Endowment Net Assets</b> , end of year	\$ -	\$ 2,251,826	\$ 2,251,826

<i>Year Ended December 31, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets</b> , beginning of year	\$ -	\$ 1,684,202	\$ 1,684,202
<b>Investment return</b>			
Investment income	-	86,701	86,701
Net depreciation (realized and unrealized)	-	(161,986)	(161,986)
<b>Total Investment Return</b>	-	(75,285)	(75,285)
Contributions	-	256,204	256,204
Appropriation of endowment assets for expenditure	-	(27,428)	(27,428)
Fees	-	(8,889)	(8,889)
<b>Endowment Net Assets</b> , end of year	\$ -	\$ 1,828,804	\$ 1,828,804

### ***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 its endowment while seeking to maintain the purchasing power of the endowment assets. Avoidance of asset depreciation is a paramount goal. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees/Directors, the endowment assets are invested to reach a total return performance goal. The total return performance goal (including dividends, interest, and appreciation) of the endowment portfolio over a market cycle will, on average, exceed the inflation rate as measured by the Consumer Price Index. Performance of the portfolio segments will be compared to the appropriate comparable indices. The Foundation has established strategic asset allocation targets and ranges for equities, fixed income instruments, real estate investments, and

# Lake Washington College Foundation

## Notes to Financial Statements

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cash or cash equivalents in order to diversify investments to minimize risk of large losses. Actual returns in any given year may vary from this amount.

### ***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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### ***Spending Policy and How the Investment Objectives Relate to the Spending Policy***

The Foundation has a policy of appropriating for distribution each year the amount deemed appropriate taking into consideration market performance in the preceding fiscal years in which the distribution is planned. In establishing this policy, the Foundation considers the long term expected return on its endowment in an uncertain market. Accordingly, over the long term, the Foundation's spending policy is to protect the endowment corpus and its growth, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### ***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. There were no such deficiencies as of December 31, 2019 or 2018.

## **5. Lease Agreement**

The Foundation leases space from the College for a nominal amount. In 2015, the Foundation entered an agreement to sublease this space to a coffee cart under a noncancelable operating lease expiring in 2020. Future minimum rentals to be received for the year ending December 31, 2020, is \$1,785.

Rental income totaled \$14,206 and \$18,371 for the years ended December 31, 2019 and 2018, respectively.

## **6. Related Party Transactions**

The Foundation received in kind services related to administration of its operations (primarily administrative development and fiscal personnel, as well as rent, supplies, etc.) from the College. These services amounted to \$236,892 and \$235,820 for 2019 and 2018, respectively, but are not recorded in the financial statements on the modified cash basis of accounting as defined in Note 1.