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**PENINSULA COLLEGE FOUNDATION**  
**A Washington Non-Profit Corporation**

**Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To The Board of Directors of  
Peninsula College Foundation

We have reviewed the accompanying financial statements of Peninsula College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

The accompanying summarized June 30, 2016 financial statements of Peninsula College Foundation were compiled by us and in our report dated October 14, 2016, we stated that we did not audit or review the June 30, 2016 financial statements and, accordingly, do not express an opinion or provide any assurance about whether these financial statements are in accordance with accounting principles generally accepted in the United States of America.

*Aiken & Sanders*

Aiken & Sanders Inc., PS  
Aberdeen, WA

October 17, 2017

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Statement of Financial Position**

<b>As of June 30,</b>	<b>2017 (Reviewed)</b>	<b>2016 (Compiled)</b>
<b>Assets</b>		
<b>Assets:</b>		
Cash & cash equivalents	\$ 565,389	\$ 647,496
Contributions receivable	10,196	28,596
Loans receivable	6,090	6,500
Prepaid expense	-	82
Land	-	1,766,324
Investments	90,701	82,477
Assets restricted for donor designated	9,063,217	9,090,851
Assets restricted for endowment	2,070,364	1,935,933
<b>Total Assets</b>	<b>\$ 11,805,957</b>	<b>\$ 13,558,259</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	20	62,884
<b>Total Liabilities</b>	<b>20</b>	<b>62,884</b>
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	117,691	2,009,415
<b>Total Unrestricted Net Assets</b>	<b>117,691</b>	<b>2,009,415</b>
Temporarily restricted	9,766,130	9,568,834
Permanently restricted	1,922,116	1,917,126
<b>Total Net Assets</b>	<b>11,805,937</b>	<b>13,495,375</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,805,957</b>	<b>\$ 13,558,259</b>

*See accompanying notes and independent accountant's review report*

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Statement of Activities and Changes in Net Assets**

<b>For the Year Ended June 30,</b>				<b>2017 (Reviewed)</b>	<b>2016 (Compiled)</b>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and Revenue:</b>					
Public support:					
Contributions	\$ 21,712	\$ 479,888	\$ 5,000	\$ 506,600	\$ 11,745,628
Event Income	908	-	-	908	9,473
Less: direct event expense	(3,416)	-	-	(3,416)	(4,381)
In-kind contributions	228,505	-	-	228,505	564,865
Pirate Athletic Association	95,018	-	-	95,018	100,864
Investment income	246	163,646	-	163,892	19,484
Net realized & unrealized gain (loss) on investments	11,877	57,764	-	69,641	(40,608)
Other Income	12,129	-	-	12,129	-
Transfers	(1,783,359)	10	(10)	(1,783,359)	-
Net assets released from restrictions	504,012	(504,012)	-	-	-
<b>Total Support and Revenue</b>	<b>(912,368)</b>	<b>197,296</b>	<b>4,990</b>	<b>(710,082)</b>	<b>12,395,325</b>
<b>Expenses:</b>					
Program Services	851,674	-	-	851,674	738,317
Management and General	109,040	-	-	109,040	140,224
Fundraising	18,641	-	-	18,641	20,299
<b>Total Expenses</b>	<b>979,356</b>	<b>-</b>	<b>-</b>	<b>979,356</b>	<b>898,840</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(1,891,724)</b>	<b>197,296</b>	<b>4,990</b>	<b>(1,689,438)</b>	<b>11,496,485</b>
Transfer in From Peninsula College	-	-	-	-	396,335
Net Assets, Beginning of Year	2,009,415	9,568,834	1,917,126	13,495,375	1,602,555
<b>Net Assets, End of Year</b>	<b>\$ 117,691</b>	<b>\$ 9,766,130</b>	<b>\$ 1,922,116</b>	<b>\$ 11,805,937</b>	<b>\$ 13,495,375</b>

*See accompanying notes and independent accountant's review report.*

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Statement of Functional Expenses**

<b>For the Year Ended June 30,</b>				<b>2017 (Reviewed)</b>	<b>2016 (Compiled)</b>
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Student support	\$ 580,239	\$ -	\$ -	\$ 580,239	\$ 438,987
Program assistance	63,144	-	-	63,144	67,067
Pirate Athletic Association	34,134	-	-	34,134	87,980
Recognition	-	-	4,637	4,637	3,293
Salaries, taxes, & benefits	45,882	8,603	2,868	57,353	65,976
Professional fees	-	2,450	-	2,450	5,400
In-kind expense	128,275	89,094	11,137	228,506	214,865
Insurance	-	1,390	-	1,390	1,957
Professional development	-	2,373	-	2,373	125
Office supplies	-	1,661	-	1,661	1,322
Bank fees	-	1,574	-	1,574	1,925
Dues & subscriptions	-	-	-	-	9,370
Miscellaneous	-	1,895	-	1,895	573
<b>Total</b>	<b>\$ 851,674</b>	<b>\$ 109,040</b>	<b>\$ 18,641</b>	<b>\$ 979,356</b>	<b>\$ 898,840</b>

*See accompanying notes and independent accountant's review report*

**THE PENINSULA COLLEGE FOUNDATION**  
**A Washington Non-Profit Corporation**

**Statement of Cash Flows**

<b>For the Year Ended June 30,</b>	<b>2017 (Reviewed)</b>	<b>2016 (Compiled)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (1,689,438)	\$ 11,496,485
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Capitalized In-kind Donation	-	(350,000)
Transfer of waterfront property	1,766,324	-
(Gain) loss on investments	(69,641)	40,608
(Increase) Decrease in contributions receivable	18,400	(8,346)
(Increase) Decrease in loan receivable	410	345
Increase (Decrease) in accounts payable	(62,864)	58,245
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(36,809)</b>	<b>11,237,337</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of land	-	(1,416,324)
Sale of investments	-	29,360
Purchase of investments	(45,298)	(9,620,851)
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>(45,298)</b>	<b>(11,007,815)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
	-	-
Net Increase (Decrease) in Cash	(82,107)	229,522
Cash, Beginning of Year	647,496	417,974
<b>Cash, End of Year</b>	<b>\$ 565,389</b>	<b>\$ 647,496</b>

*See accompanying notes and independent accountant's review report*

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**A. PURPOSE OF THE FOUNDATION:**

**Organization's purpose--**

The Peninsula College Foundation (the Foundation) is a non-profit corporation created for the purpose of providing student and program support to Peninsula College (the College). The Foundation was established in 1996 and involves people in philanthropy for higher education on the North Olympic Peninsula of Washington State. Donations received by the Foundation support new and existing college programs, expand program resources, and provide scholarship assistance to qualified students. Academic and program support is provided to the main campus of the College, as well as to the Forks and Port Townsend Campuses.

The mission of the Foundation is to secure philanthropic and external sources of support for students, faculty, staff, and programs in support of the College's mission.

**B. PRINCIPLE 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. These include awards to outstanding faculty and staff. College program support also includes grants provided to college programs, instructional departments, scholarships, and activities. The Foundation provides funds and College leaderships, awards grants based on College strategic and funding priorities, and leverages Foundation funds against all available resources for maximum impact.

**Scholarships--**

Provides support to underserved and deserving students to enable them to further their educational goals. Endowments are the primary financial vehicle used to support long-term scholarship programs. Several donor restricted scholarship funds are received and distributed annually.

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of accounting--**

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Estimates--**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Income tax--**

The Foundation is a tax exempt non-profit organization under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a).

**Advertising--**

The Foundation's policy is to expense advertising costs as they are incurred.

**Functional allocation of expenses--**

Expenses are charged to each program based on direct expenditures incurred. Administration costs include those expenses that are not directly identifiable with any other specific program function but provide for the overall support and direction of the Foundation. Fundraising costs, including costs of special events, are incurred to persuade potential donors to make contributions to the Foundation.

**Cash and cash equivalents--**

All time deposits, certificates of deposit, and short-term highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

**Investments--**

The Foundation's investment objectives are to maximize total return and preserve capital, while minimizing credit risk and avoiding excessive market risk. An investment company is currently managing the majority of the Foundation investments. Investment income is reported net of investment management fees. Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Investments are reported in the statements as investments and as assets restricted for endowments.

**D. RECOGNITION OF CONTRIBUTION REVENUE:**

The Foundation reports contributions received as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or terms of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets, as net assets released from restrictions. Contributions received with restrictions that are satisfied within the same year as the receipt of the contribution are classified as unrestricted contributions on the statement of activities and changes in net assets.

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Notes to Financial Statements**

**June 30, 2017 and 2016**

**E. ASSETS RESTRICTED FOR ENDOWMENT AND DONOR DESIGNATED:**

The Foundation manages endowments and donor designated funds established by individuals and other entities that are permanently restricted. Investment earnings and not the principal may be distributed in the form of scholarships or other support. Earnings are not distributed each year. Losses that reduce the assets in the endowment below the level required by donor stipulations are recorded to unrestricted net assets. The foundation has also initiated endowment campaigns in order to solicit additional permanently restricted donations.

The Board of Governors approved an endowment spending policy in January 2001 for continuing support of Peninsula College scholarships and program assistance. The spending policy includes providing for a 4% donor award distribution, plus investment management fees and administrative fees. Total allowable expenditures under the rule are 7%. The spending policy is based on a projected rate of return of 8% on invested endowment funds.

Endowment and Donor Designated Net Assets Composition by Type of Fund -June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 148,248	\$ 1,922,116	\$ 2,070,364
Donor-restricted designated funds	-	<u>9,063,217</u>	<u>-</u>	<u>9,063,217</u>
Total donor-restricted	\$ -	\$ 9,211,465	\$ 1,922,116	\$ 11,133,581

Endowment and Donor Designated Net Assets Composition by Type of Fund -June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 18,807	\$ 1,917,126	\$ 1,935,933
Donor-restricted designated funds	-	<u>9,090,851</u>	<u>-</u>	<u>9,090,851</u>
Total donor-restricted	\$ -	\$ 9,109,658	\$ 1,917,126	\$ 11,026,784

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2017 and 2016**

**E. ASSETS RESTRICTED FOR ENDOWMENT AND DONOR DESIGNATED (Continued):**

Changes in Endowment and Donor Designated Net Assets for the Year Ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 9,109,658	\$ 1,917,126	\$ 11,026,784
Investment return:				
Investment income	-	176,780	-	176,780
Investment fee	-	(13,134)	-	(13,134)
Net depreciation (realized and unrealized)	-	113,190	-	113,190
Management fee	-	(55,426)	-	(55,426)
Total investment return	-	221,410	-	221,410
Contributions	-	479,888	5,000	484,888
Appropriation of donor restricted assets for expenditure	-	(599,491)	(10)	(599,501)
Donor Restricted net assets				
end of period	\$ -	\$ 9,211,465	\$ 1,922,116	\$ 11,133,581

Changes in Endowment and Donor Designated Net Assets for the Year Ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted net assets				
beginning of period	\$ -	\$ 88,039	\$ 990,781	\$ 1,078,820
Investment return:				
Investment income	-	19,360	-	19,360
Investment fee	-	(5,613)	-	(5,613)
Net depreciation (realized and unrealized)	-	(14,287)	-	(14,287)
Management fee	-	(19,664)	-	(19,664)
Total investment return	-	(20,204)	-	(20,204)
Contributions	-	9,758,745	926,345	10,685,090
Appropriation of donor restricted assets for expenditure	-	(716,922)	-	(716,922)
Donor Restricted net assets				
end of period	\$ -	\$ 9,109,658	\$ 1,917,126	\$ 11,026,784

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Notes to Financial Statements**

**June 30, 2017 and 2016**

**F. RELATED PARTY TRANSACTIONS AND INKIND REVENUE:**

Peninsula College provided the Foundation with office space, employee support, business office support, custodial, human resources, payroll, office supplies, and other services at a cost of \$141,932 and \$137,070 for the years ended June 30, 2017 and 2016, respectively. The support received from Peninsula College has been recorded as in-kind revenue and expense in the statement of activities and changes in net assets and statement of functional expenses, respectively. The Foundation also receives donated goods and services used in college programs and for events.

**G. INVESTMENTS:**

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2017:

	<u>Investments</u>	<u>Assets Restricted for Donor Designation</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 90,701	\$ 9,063,217	\$ 2,070,364	\$ 11,224,282	\$ 11,152,117
	<u>\$ 90,701</u>	<u>\$ 9,063,217</u>	<u>\$ 2,070,364</u>	<u>\$ 11,224,282</u>	<u>\$ 11,152,117</u>

Following are the aggregate carrying amounts and cost basis of investments as of June 30, 2016:

	<u>Investments</u>	<u>Assets Restricted for Donor Designation</u>	<u>Assets Restricted for Endowment</u>	<u>Carrying Amount</u>	<u>Investments Cost Basis</u>
Brokerage Account	\$ 82,477	\$ 9,090,851	\$ 1,935,933	\$ 11,109,261	\$ 10,944,263
	<u>\$ 82,477</u>	<u>\$ 9,090,851</u>	<u>\$ 1,935,933</u>	<u>\$ 11,109,261</u>	<u>\$ 10,944,263</u>

Investment income is composed of the following for the year ended June 30, 2017:

	<u>Total</u>
Dividends & Interest	\$ 176,780
Investment Fees	<u>(13,134)</u>
Investment Income	<u>\$ 163,646</u>

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**G. INVESTMENTS (Continued):**

Investment income is composed of the following for the year ended June 30, 2016:

		<u>Total</u>
Dividends & Interest	\$	<u>25,097</u>
Investment Fees		<u>(5,613)</u>
Investment Income	\$	<u><u>19,484</u></u>

**H. CONCENTRATION OF CREDIT RISK:**

The Foundation maintains accounts with one stock brokerage firm. The accounts contain cash and securities. Cash balances deposited at participating outside banks by the stock brokerage firm are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation. Security balances are insured up to \$500,000 (with limits of \$100,000 for cash) by the Securities Investor Protection Corporation. The brokerage firm has purchased additional securities protection from London insurers with an aggregate limit of \$150 million, further limited to a combined return to any customer from SIPC and London insurers of \$50 million. The Foundation had balances in excess of the FDIC and SIPC insured amount at June 30, 2017 of \$10,545,091.

**I. TEMPORARILY RESTRICTED NET ASSETS:**

The Foundation's temporarily restricted net assets for the year ended June 30, 2017 were available for the following purposes:

		<u>2017</u>
Scholarships	\$	187,559
College programs and departments		9,313,949
Time restriction		19,036
Endowment		<u>245,586</u>
	\$	<u><u>9,766,130</u></u>

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**I. TEMPORARILY RESTRICTED NET ASSETS (Continued):**

The Foundation's temporarily restricted net assets for the year ended June 30, 2016 were available for the following purposes:

	<u>2016</u>
Scholarships	\$ 327,494
College programs and departments	9,227,492
Time restriction	9,475
Endowment	<u>4,373</u>
	<u>\$ 9,568,834</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors for the year ended June 30, 2017, and are as follows:

	<u>2017</u>
Scholarships	\$ 580,239
College programs and departments	97,278
Time restriction	<u>(173,505)</u>
	<u>\$ 504,012</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors for the year ended June 30, 2016, and are as follows:

	<u>2016</u>
Scholarships	\$ 438,760
College programs and departments	155,047
Time restriction	<u>(93,551)</u>
	<u>\$ 500,256</u>

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2017 and 2016**

**J. PERMANENTLY RESTRICTED NET ASSETS:**

The Foundation's permanently restricted net assets at June 30, 2017, were composed of the following:

	<u>2017</u>
Exceptional faculty awards	\$ 479,140
Scholarships	<u>1,442,976</u>
	<u>\$ 1,922,116</u>

The Foundation's permanently restricted net assets at June 30, 2016, were composed of the following:

	<u>2016</u>
Exceptional faculty awards	\$ 479,140
Scholarships	<u>1,437,986</u>
	<u>\$ 1,917,126</u>

**K. COMMITMENTS:**

Grants and bequests require the fulfillment of certain conditions as set forth in the grant award. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the management and the board of the Foundation considers the return of such funds remote, since by accepting the gifts and their terms; it has accepted the responsibility for and intends to fulfill its conditions.

**L. SUBSEQUENT EVENTS:**

No events have occurred through October 17, 2017, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the six months ended June 30, 2017.

**M. LOANS RECEIVABLE:**

The Foundation provides short term loans to students at Peninsula College. Loans assist students in paying for textbooks. As the loans are short term in nature, the Foundation generally collects within 90 days. No interest is charged either on current loans or on loans outstanding greater than 90 days. The Foundation has not provided an allowance for uncollectible loans as management believes all loans are collectible. Loans receivable totaled \$6,090 and \$6,500 as of June 30, 2017 and 2016, respectively.

**The Peninsula College Foundation**  
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**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**N. CONTRIBUTIONS RECEIVABLE:**

The Foundation received unconditional promises to give from numerous individuals. No allowance for uncollectible contributions has been provided as all contributions receivable are expected to be collected in less than one year. As of June 30, 2017 and 2016, total contributions receivable was \$10,196 and \$28,596, respectively.

**O. UNCERTAIN TAX POSITIONS:**

The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2017, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

**P. FAIR VALUE MEASUREMENT:**

The Foundation adopted Accounting Standards Codification 958 as of January 1, 2013. ASC 958, 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 or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 958 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2: Inputs to valuation methodology include: Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

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**Notes to Financial Statements**

**June 30, 2017 and 2016**

**P. FAIR VALUE MEASUREMENT (Continued):**

*Mutual Funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end.*

*Money Funds: The investments are reported at face value plus accrued interest.*

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

Assets at Fair Value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 2,123,559	\$ -	\$ -	\$ 2,123,559
Certificate Deposit	179,191	-	-	179,191
Money Market Funds	-	37,506	-	37,506
Corporate Bonds	-	5,515,622	-	5,515,622
Municipal Bonds	-	499,950	-	499,950
US Government Bonds	-	2,868,454	-	2,868,454
<b>Total Assets at Fair Value:</b>	<b>\$ <u>2,302,750</u></b>	<b>\$ <u>8,921,532</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>11,224,282</u></b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

Assets at Fair Value as of June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 2,070,479	\$ -	\$ -	\$ 2,070,479
Money Market Funds	-	16,605	-	16,605
Corporate Bonds	-	5,072,553	-	5,072,553
Municipal Bonds	-	504,815	-	504,815
US Government Bonds	-	3,444,809	-	3,444,809
<b>Total Assets at Fair Value:</b>	<b>\$ <u>2,070,479</u></b>	<b>\$ <u>9,038,782</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>11,109,261</u></b>

**The Peninsula College Foundation**  
**A Washington Non-Profit Corporation**

**Notes to Financial Statements**

**June 30, 2017 and 2016**

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**Q. TRANSFER IN FROM PENINSULA COLLEGE:**

The Foundation received a transfer of investment securities from Peninsula College, a related party, during the fiscal year ended June 30, 2016. Accordingly, the transfer was not recorded as a contribution and added to permanently restricted net assets as a transfer in from Peninsula College.

**R. JOINT VENTURES**

The Foundation entered into a tax credit agreement and subsequently created joint ventures to manage the activity. The Foundation is the general partner in one of the entities; however, the LLC agreement limits their ability to receive a benefit. The Foundation entered into the agreement for the purpose of generating funds to rehabilitate a historic building in which Peninsula College uses as part of their campus. The building is owned by the Washington State Park Service and they will continue to keep the legal ownership while allowing Peninsula College to use the facility on a lease agreement.

**S. PRIOR YEAR CHANGES**

The classification of assets restricted for endowment was updated to the correct balance as of June 30, 2016. A specific fund was separated from the endowment classification as assets restricted for donor designation. This does not affect the overall temporarily restricted net assets and was done for comparability purposes. All ending balances as of June 30, 2016 remain correct.