

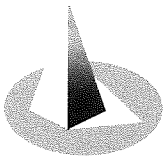
**WENATCHEE VALLEY COLLEGE  
FOUNDATION, INC.**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2012 With Comparative 2011 Totals

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Finance Committee  
Wenatchee Valley College Foundation, Inc.

We have reviewed the accompanying statement of financial position of Wenatchee Valley College Foundation, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated October 18, 2011, we indicated that we were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

*Linder & Goetz, P.S.*

January 21, 2013

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Statements of Financial Position

For the Year Ended June 30, 2012

With Comparative Totals For The Year Ended June 30, 2011

	Current Funds	Program Funds
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 76,770	\$ 807,118
Pledges and other receivables, net:		
Pledges and other receivables, net	12,546	183,048
Pledges from board members, net	-	23,875
Total pledges and other receivables, net	<u>12,546</u>	<u>206,923</u>
Investments at fair value	453,137	519,753
Other	3,990	1,035
Equipment	7,469	-
Buildings	-	-
Real estate	-	-
Accumulated depreciation	<u>(2,114)</u>	<u>-</u>
<b>Total Assets</b>	<b><u><u>\$ 551,798</u></u></b>	<b><u><u>\$ 1,534,829</u></u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2	\$ 6,793
Accounts payable and accrued liabilities - related party	8,289	88
Scholarships and awards payable - related party	4,247	99,924
Real estate loans payable	-	-
Total liabilities	<u>12,538</u>	<u>106,805</u>
<b>Net Assets</b>		
Unrestricted	539,260	-
Temporarily restricted	-	1,428,024
Permanently restricted	-	-
Total net assets	<u>539,260</u>	<u>1,428,024</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 551,798</u></u></b>	<b><u><u>\$ 1,534,829</u></u></b>

Endowment Funds	Total of All Funds	
	2012	2011
\$ 262,824	\$ 1,146,712	\$ 1,649,878
21,000	216,594	2,041,086
-	23,875	29,263
<u>21,000</u>	<u>240,469</u>	<u>2,070,349</u>
5,390,307	6,363,197	6,582,313
-	5,025	18,875
-	7,469	7,469
-	-	1,455,363
58,781	58,781	1,225,195
-	(2,114)	(195,903)
<u>\$ 5,732,912</u>	<u>\$ 7,819,539</u>	<u>\$ 12,813,539</u>
\$ -	\$ 6,795	\$ 2,113
-	8,377	9,153
171,531	275,702	348,988
-	-	2,024,211
<u>171,531</u>	<u>290,874</u>	<u>2,384,465</u>
-	539,260	546,433
1,661,861	3,089,885	5,444,254
3,899,520	3,899,520	4,438,387
<u>5,561,381</u>	<u>7,528,665</u>	<u>10,429,074</u>
<u>\$ 5,732,912</u>	<u>\$ 7,819,539</u>	<u>\$ 12,813,539</u>

See independent accountants' review report and accompanying notes.

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

## Statements of Activities

For the Year Ended June 30, 2012

With Comparative Totals For The Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>REVENUES, GAINS AND OTHER SUPPORT -</b>		
Gifts, contributions, and other grants - unrestricted	\$ 3,101	\$ 20
Gifts, contributions, and other grants - restricted	10,693	530,305
Scholarships	-	28,800
In-kind contributions-related party	71,329	1,770
In-kind contributions	965	11,586
Investment income	30,300	12,827
Unrealized (loss) gain on investments	(13,181)	(18,678)
Realized gain on sale of investments	8,953	10,970
Realized (loss) on disposal of assets	-	(2,919)
Management fees	84,495	-
Rental income - related party	3,600	-
Rental income	-	-
Program income, events net of direct costs, and other income	59,865	127,983
Net assets released from restrictions:		
Satisfaction of program restrictions	3,507,410	(3,507,410)
Satisfaction of donor restrictions	-	450,377
	<u>3,767,530</u>	<u>(2,354,369)</u>
<b>EXPENSES AND LOSSES -</b>		
Management and general	160,279	-
Programs	495,961	-
Scholarships	175,093	-
Fundraising	83,034	-
Gifts, grants and awards to college	2,860,336	-
	<u>3,774,703</u>	<u>-</u>
Change in net assets	(7,173)	(2,354,369)
Net assets - beginning of year	<u>546,433</u>	<u>5,444,254</u>
<b>Net Assets - End of Year</b>	<u>\$ 539,260</u>	<u>\$ 3,089,885</u>

Permanently Restricted	2012 Total	2011 Total
\$ -	\$ 3,121	\$ 7,642
18,288	559,286	1,571,187
-	28,800	37,345
-	73,099	84,108
-	12,551	-
125,894	169,021	158,113
(155,460)	(187,319)	875,087
106,390	126,313	91,462
(355,177)	(358,096)	-
-	84,495	97,750
167,000	170,600	286,175
4,025	4,025	6,190
550	188,398	102,217
-	-	-
(450,377)	-	-
(538,867)	874,294	3,317,276
-	160,279	91,146
-	495,961	497,999
-	175,093	212,029
-	83,034	121,397
-	2,860,336	577,095
-	3,774,703	1,499,666
(538,867)	(2,900,409)	1,817,610
4,438,387	10,429,074	8,611,464
<u>\$ 3,899,520</u>	<u>\$ 7,528,665</u>	<u>\$ 10,429,074</u>

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

## Statements of Cash Flows

For the Year Ended June 30, 2012

With Comparative Totals For The Year Ended June 30, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 2,392,287	\$ 725,263
Payments to suppliers and employees	(3,493,380)	(1,296,806)
Cash paid for interest during the year	(77,642)	(138,456)
Payments for scholarships	(248,379)	(196,467)
Interest and dividends received	169,021	158,113
Other receipts	572,899	670,608
	<u>(685,194)</u>	<u>(77,745)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of assets - related party	409,029	-
Net disbursements (additions) to investment account	158,110	(495,643)
	<u>567,139</u>	<u>(495,643)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage	(385,111)	(160,377)
	<u>(385,111)</u>	<u>(160,377)</u>
<b>NET DECREASE IN CASH</b>	<b>(503,166)</b>	<b>(733,765)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,649,878</b>	<b>2,383,643</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 1,146,712</u></b>	<b><u>\$ 1,649,878</u></b>



	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (2,900,409)	\$ 1,817,610
Non-operating income and losses -		
Net realized and unrealized investment loss/(gain)	61,006	(966,549)
Loss on disposal of assets	358,096	-
Noncash support and expenses -		
Depreciation	24,682	36,828
Decrease (increase) in operating assets -		
Interfund receivables	-	72,198
Pledges and other receivables	1,829,880	(853,566)
Other	10,931	(15,375)
(Decrease) increase in operating liabilities -		
Interfund payables	-	(72,197)
Accounts payable and accrued liabilities	3,906	(112,256)
Scholarships and awards payable	(73,286)	15,562
Net cash (used) by operating activities	<u>\$ (685,194)</u>	<u>\$ (77,745)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 77,642</u>	<u>\$ 138,456</u>
<b>NONCASH INVESTING ACTIVITIES</b>		
Cash paid directly to lender by title company for satisfaction of debt related to disposal of assets	<u>\$ 1,639,100</u>	<u>\$ -</u>

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## ORGANIZATION AND NATURE OF ACTIVITIES

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

The Foundation provides supplemental funding for the Wenatchee Valley College, its programs, and students through scholarships and other financial support. The Wenatchee Valley College, through its campus in Wenatchee and community out-reach programs in other communities, serves the citizens of Chelan, Douglas and Okanogan counties.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### Basis of Presentation

The Foundation's financial statements are presented on the accrual basis of accounting. The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets. The net assets of the Foundation are classified and reported as follows:

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

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

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

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Income Tax Status

The Foundation is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income generated by activities that would be considered unrelated to the Foundation's exempt purpose would be subject to unrelated business income tax (UBIT). The Foundation did not engage in any unrelated business activities during the years ending June 30, 2012 and 2011. Therefore, no provision for UBIT tax has been recorded.

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

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### Investments

At June 30, 2012, the Foundation's investment portfolio is managed by the Community Foundation of North Central Washington as part of its total "pooled portfolio". The investments are managed by the Community Foundation of North Central Washington in accordance with the guidelines established by the Investment Committee of the Board of Directors. The Investment Committee has established and communicated to the Community Foundation of North Central Washington, policies relating to the nature of permitted investment instruments, diversification, and the use of derivatives.

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

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

During the fiscal year ending June 30, 2011, the Foundation moved their money market account from the Community Foundation of North Central Washington to Cashmere Valley Bank. The balance of the money market account as of June 30, 2012 is presented under the cash and cash equivalents caption on the statement of financial position.

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2012 and 2011

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Pledges Receivable

Unconditional promises to give that are expected to be received in one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. The discount on these pledges is computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is netted against contribution revenue. Conditional promises to give are not recognized in revenue until such time as the conditions are substantially met.

### Estimates

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

### Functional Allocation of Expenses

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

### Depreciable Assets

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

### Advertising Costs

Advertising costs are expensed as incurred.

### Reclassifications

Certain reclassifications have been made to the 2011 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2012 and 2011

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## INVESTMENTS

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

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

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

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

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

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## INVESTMENTS (CONTINUED)

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

	<u>2012</u>	<u>2011</u>
Government and corporate securities	\$ 3,422,934	\$ 2,619,159
Common stocks	<u>2,940,263</u>	<u>3,963,154</u>
Total investments held for the Foundation	<u>\$ 6,363,197</u>	<u>\$ 6,582,313</u>

The cost of investments and unrealized gain approximated \$5,790,814 and \$572,383 respectively for the year ended June 30, 2012. The cost of investments and unrealized gain approximated \$5,774,474 and \$807,839 respectively at June 30, 2011.

Investment income is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 169,021	\$ 158,113
Net realized gains	126,313	91,462
Net unrealized (loss) gain	<u>(187,319)</u>	<u>875,087</u>
	<u>\$ 108,015</u>	<u>\$ 1,124,662</u>

The Foundation charges an annual administrative fee of 1.35% of the market value of the various funds and endowments under its control. The fee is charged monthly and is reflected as an administrative fee expenses to the various funds and as unrestricted support to the operating fund. Total fees assessed were \$84,495 and \$97,750 for fiscal years ended June 30, 2012 and 2011, respectively.

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

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2012 and 2011

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## CONCENTRATIONS

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

Cash balances at any one financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the fiscal year, the Foundation's cash in bank balances may exceed the federally insured limits. The uninsured balance was approximately \$896,712 and \$1,399,878 at June 30, 2012 and June 30, 2011.

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## PLEDGES AND OTHER RECEIVABLES

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	<u>2012</u>	<u>2011</u>
Pledges and other receivables consisted of the following at June 30:		
Unconditional promises to give -		
Receivable in less than one year	\$ 84,776	\$ 1,980,473
Receivable in one to five years	<u>101,488</u>	<u>170,497</u>
Total unconditional promises to give	186,264	2,150,970
Less discounts to net present value	(15,113)	(118,529)
Less allowance for uncollectible promises	<u>(2,478)</u>	<u>(3,741)</u>
Net unconditional promises to give	168,673	2,028,700
Other receivables -		
Administrative fee	6,997	7,764
Other receivables	<u>64,799</u>	<u>33,885</u>
Total net pledges and other receivables	<u>\$ 240,469</u>	<u>\$ 2,070,349</u>

The discount rate used for long-term promises to give was 5.00%.

Pledge receivables at June 30, 2012 and 2011 included \$23,875 and \$29,263 from Foundation Board members.

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## REAL ESTATE LOANS PAYABLE

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	<u>2012</u>	<u>2011</u>
The Organization's real estate loans consist of the following at June 30:		
 Mortgage payable to Cashmere Valley Bank, due in monthly installments of \$14,833, including interest at a fixed rate of 6.75%. The obligation is secured by a first deed of trust on real property at 1510 Ninth Street, Wenatchee, Washington. The original maturity was April 1, 2011. On February 22, 2011, the terms of the loan were renegotiated. The new maturity date is January 1, 2012 with a new fixed rate of 6.00%, and the monthly installment amounts of \$14,833 remained the same. <i>This loan was paid in full on March 3, 2012, as a result of the disposition of the related property.</i>	\$ -	\$ 1,674,956
 Contract payable to Eagles Lodge due in monthly installments of \$3,802, including interest at a fixed rate of 6.75%. The obligation is secured by property located at 1510 Ninth Street, Wenatchee, Washington. The contract's original maturity was March 1, 2011. The loan was renegotiated on March 8, 2011. The terms of the loan remain the same, with the exception of the maturity date which was extended to December 31, 2011. In addition, \$75,000 was paid on the principal as a result of the renegotiation. <i>This loan was paid in full during the current year.</i>	<u>-</u>	<u>349,255</u>
	<u>\$ -</u>	<u>\$ 2,024,211</u>



# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## ENDOWMENTS

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The Foundation's endowment consists of approximately 47 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

Interpretation of relevant law:

For donor-restricted endowment funds, the Board of Trustees of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

## ENDOWMENTS (CONTINUED)

Endowment net assets by type of fund consist of the following at **June 30, 2012:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 1,617,276	\$ 3,899,520	\$ 5,516,796
Board-designated funds	-	44,585	-	44,585
	<u>\$ -</u>	<u>\$ 1,661,861</u>	<u>\$ 3,899,520</u>	<u>\$ 5,561,381</u>

Changes in endowment net assets as of **June 30, 2012:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,905,284	\$ 4,438,387	\$ 7,343,671
Investment return:				
Interest and dividends	-	12,827	125,894	138,721
Net (loss) - realized and unrealized	-	(10,627)	(404,247)	(414,874)
Total investment return	<u>-</u>	<u>2,907,484</u>	<u>4,160,034</u>	<u>7,067,518</u>
Gifts, contributions, and other support		530,305	18,288	548,593
Rental income	-	-	171,025	171,025
Program income	-	127,983	550	128,533
Reclassifications and appropriations	<u>-</u>	<u>(1,903,911)</u>	<u>(450,377)</u>	<u>(2,354,288)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,661,861</u>	<u>\$ 3,899,520</u>	<u>\$ 5,561,381</u>

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

## ENDOWMENTS (CONTINUED)

Endowment net assets by type of fund consist of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 2,082,708	\$ 4,438,387	\$ 6,521,095
Board-designated funds	-	822,576	-	822,576
	<u>\$ -</u>	<u>\$ 2,905,284</u>	<u>\$ 4,438,387</u>	<u>\$ 7,343,671</u>

Changes in endowment net assets as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,207,924	\$ 3,008,244	\$ 5,216,168
Investment return:				-
Interest and dividends	-	27,087	120,275	147,362
Net (loss) gain - realized and unrealized	-	(16,832)	971,424	954,592
Total investment return	<u>-</u>	<u>2,218,179</u>	<u>4,099,943</u>	<u>6,318,122</u>
Gifts, contributions, and other support		1,269,786	342,476	1,612,262
Rental income	-	-	288,765	288,765
Program and other income	-	87,285	-	87,285
Reclassifications and appropriations	<u>-</u>	<u>(669,966)</u>	<u>(292,797)</u>	<u>(962,763)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,905,284</u>	<u>\$ 4,438,387</u>	<u>\$ 7,343,671</u>

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## ENDOWMENTS (CONTINUED)

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Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies for years ending June 30, 2012 and 2011.

## RELATED PARTY TRANSACTIONS

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The following related party transactions occurred between the Foundation and Wenatchee Valley College (College) during the years ending June 30, 2012 and 2011:

### In-Kind Contributions

The Foundation received a total of \$73,099 and \$84,108 of in-kind contributions from the College during the years ending June 30, 2012 and 2011, respectively. These contributions consist of salaries, payroll taxes, goods, services, office space, and other miscellaneous items.

### Rental Income

The Foundation rented property to the College and received total rent of \$170,600 and \$286,175 for the years ending June 30, 2012 and 2011, respectively.

### Disposition of Old Music & Art Center

The Foundation entered into an agreement with the College and Wenatchee School District which stated that this property would be gifted to the College and then exchanged with Wenatchee School District for the Westside High School and other property adjacent to other College property. This agreement was finalized in March of 2012 and the Foundation recognized a loss of \$(355,177) as a result of this transaction. Prior to the finalization of this agreement, the Foundation paid off the Eagle's promissory note and was subsequently reimbursed by the College in the amount of \$409,029.

### Scholarships, Gifts, Grants, and Awards

The Foundation provides supplemental funding for the College, its programs, and students through scholarships and other financial support. The Foundation has liabilities recorded for scholarships and awards payable to the College as of June 30, 2012 and 2011 in the amount of \$275,702 and \$348,988, respectively. Total expense recognized by the Foundation related to scholarships, awards, gifts, grants, that were paid or given to the College totaled \$3,109,617 and \$789,124 for the years ending June 30, 2012 and 2011, respectively.

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2012 and 2011

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## **RELATED PARTY TRANSACTIONS (CONTINUED)**

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### Compensation and Related Costs

During the years ending June 30, 2012 and 2011, the College employed all the Foundation's staff and the Foundation reimbursed the cost of the employees, including the executive director, funded by the College. Reimbursed compensation and related costs totaled \$206,564 and \$112,184 for the years ending June 30, 2012 and 2011. A portion of these costs were gifted to the Foundation and those amounts have been properly reflected in these financial statements. A liability to record these costs related to June's reimbursement total \$8,377 and \$9,153 as of June 30, 2012 and 2011, respectively.

## **IN-KIND CONTRIBUTIONS**

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

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

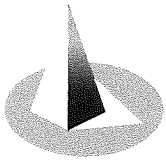
Although the Foundation may utilize the services of outside volunteers, the fair value of many of these services have not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

The Foundation received total in-kind contributions of \$85,650 and \$84,108 for the years ending June 30, 2012 and June 30, 2011, respectively.

## **SUBSEQUENT EVENTS**

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Subsequent events were evaluated through January 21, 2013, which is the date the financial statements were available to be issued.



**INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION**

To the Finance Committee  
Wenatchee Valley College Foundation, Inc.

Our report on our review of the basic financial statements of the Wenatchee Valley College Foundation, Inc. for years ending June 30, 2012 and 2011 appears on page 1. That review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The Schedule of Activities by Fund as of June 30, 2012 and 2011 located on pages 21 and 22 are presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto. The prior year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated October 18, 2011, we indicated that such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*Linder & Goetz, P.S.*

January 21, 2013

# WENATCHEE VALLEY COLLEGE FOUNDATION, INC.

## Schedule I - Schedule of Activities by Fund

For the Year Ended June 30, 2012

With Comparative Totals For The Year Ended June 30, 2011

<b>PUBLIC SUPPORT AND REVENUE</b>	<u>Current Funds</u>	<u>Program Funds</u>
Public Support -		
Gifts, contributions, and other grants - unrestricted	\$ 3,101	\$ 20
Gifts, contributions, and other grants - restricted	10,693	530,305
Scholarships	-	28,800
In-kind contributions-related party	71,329	1,770
In-kind contriubtions	965	11,586
Revenue -		
Investment income	30,300	12,827
Unrealized (loss) gain on investments	(13,181)	(18,678)
Realized gain on sale of investments	8,953	10,970
Realized (loss) on disposal of assets	-	(2,919)
Management fees	84,495	-
Rental income - related party	3,600	-
Rental income	-	-
Program income, events net of direct costs, and other income	59,865	127,983
Total public support and revenue	<u>260,120</u>	<u>702,664</u>
<b>EXPENSES AND LOSSES</b>		
Compensation and related costs	187,656	18,908
Real estate taxes and assessments	95	-
Insurance	2,582	-
Legal and accounting	11,100	-
Administrative fee	9,581	11,455
Consulting fees	-	-
Investment expenses	2,395	2,877
Interest expense	-	-
Travel, meals, and entertainment	6,152	30,950
Office and general	3,131	53
Miscellaneous	1,462	464
Maintenance lease expense	-	-
General program expenses	8,847	60,002
Depreciation expense	426	-
President's and Executive Director's discretionary fund	976	-
Gifts, grants and awards - related party	12,035	2,766,700
In-kind gifts - related party	475	73,713
Mailings, recognition, and special events	17,510	21,702
Education, conferences, training	2,870	166
Scholarships awarded - related party	-	70,043
Total expenses and losses	<u>267,293</u>	<u>3,057,033</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (7,173)</u>	<u>\$ (2,354,369)</u>

See independent accountants' review report on supplementary information and accompanying notes.

Endowment Funds	2012 Total	2011 Total
\$ -	\$ 3,121	\$ 7,642
18,288	559,286	1,571,187
-	28,800	37,345
-	73,099	84,108
-	12,551	-
125,894	169,021	158,113
(155,460)	(187,319)	875,087
106,390	126,313	91,462
(355,177)	(358,096)	-
-	84,495	97,750
167,000	170,600	286,175
4,025	4,025	6,190
550	188,398	102,217
(88,490)	874,294	3,317,276
-	206,564	112,184
-	95	920
-	2,582	6,522
-	11,100	9,006
113,373	134,409	158,178
-	-	65,500
28,435	33,707	31,100
77,642	77,642	138,456
-	37,102	9,427
20	3,204	2,583
-	1,926	13,450
20,000	20,000	30,000
-	68,849	62,646
24,256	24,682	36,828
-	976	-
81,601	2,860,336	577,095
-	74,188	-
-	39,212	33,742
-	3,036	-
105,050	175,093	212,029
450,377	3,774,703	1,499,666
\$ (538,867)	\$ (2,900,409)	\$ 1,817,610

See independent accountants' review report on supplementary information and accompanying notes.



